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FILE FOLDER

PURPOSE

MAIN FILE

Administrative matters/ECs/incoming and outgoing communications only.

SUBFILES

A	1A envelopes
B	Bulky exhibits sheets
C	Reserved
D	Reserved
E	Investigative reports
FF	Forfeiture Matters
FISUR	Surveillance reports
G	Summary investigation of subjects
H	Legal Process
I	<u>Enterprise Investigation</u>
1.	[redacted] Associates/Companies
2.	Stephens/Associates/Companies
3.	[redacted] Associates/Companies
J	<u>Village of Rosemont-contract fraud</u>
K	<u>Village of Rosemont-Emerald Casino</u>
L	<u>Village of Rosemont-Public Officials</u>
M	Open
NC	Newspaper file
O	[redacted]
P	Arson Investigations
Q	New Investigations (spin-offs)

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Contractors, casino donors gave \$128,000 to Rosemont mayor

Associated Press

Contractors, lawyers and investors tied to the ill-fated Emerald casino project in Rosemont poured at least \$128,400 into village Mayor Donald E. Stephens' campaign fund during the last half of last year, campaign records show.

Contributions related to the casino accounted for a little more than a quarter of the \$510,400 in receipts that Stephens took in from July 1 to Dec. 31.

At the time, the mayor was pushing the Illinois Gaming Board to let Emerald Casino Inc. move its casino license from a defunct riverboat in East Dubuque to a new site in Rosemont, a suburb wedged between Chicago and O'Hare International Airport. The Gaming Board denied that license renewal last month.

"I think the stench of the deal and now the stench of what created the deal, which was money, is apparent to everyone," Tom Grey, the Rockford-based executive director of the National Coalition Against Gambling, said Monday.

But Gary Mack, a Stephens spokesman, said many of the contributions were made by companies that have done business with Rosemont for years. He said it's simply seen as good business to donate money to lawmakers and governmental leaders.

"I can assure you there is no connection between any contributions that are made and any work that gets done in the village," Mack said.

Rosemont was so confident the casino would be approved that the village had begun construction on the site of a floating barge, a parking garage and a hotel by early last year.

But construction was suspended last February after Gaming Board members raised concerns.

Even so, many of the companies that won contracts for the casino site also donated to Stephens' campaign, as did Emerald itself and its proposed shareholders.

Emerald Ventures Inc. gave Stephens \$15,000. Individual shareholders, their relatives or their businesses donated another \$29,000.

Proposed shareholder Arthur J. Smith, for example, gave \$3,000, and his company, Art's Enterprises, gave another \$3,000. Nick Boscarino, husband of proposed shareholder Sherri Boscarino, gave \$10,000.

Neither Smith nor Emerald vice president Joseph McQuaid returned phone calls Monday. Boscarino has an unlisted phone number.

The construction company designated to oversee the entire casino project — Power Construction Co. — gave Stephens \$12,800 during the last half of 2000. Power went into a joint venture on the project with Degen & Rosato Construction Co., owned by Stephens friends Isaac Degen and Raymond Rosato.

Degen & Rosato gave Stephens \$800, while another company they own, Northwest Display Corp., gave \$3,000. The two men were Stephens' co-defendants when he was tried and acquitted of tax and fraud charges in 1985. The mayor had been accused of having a secret stake in a land deal that allowed construction of the Rosemont Horizon arena.



Donald Stephens

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New owners have sport, social club in play once again

Jilted ex-members offered waivers but won't get rebates

By Kevin Lynch
TRIBUNE STAFF WRITER

Seven local members have bought the defunct Chicago Sport & Social Club, promising Tuesday to make amends to thousands of members who found themselves with no place to play when the club abruptly closed in January.

Officials promised to waive one season's dues—typically \$60 to \$75 per person—for any members who missed club-sponsored events because of the shutdown. But the company will not offer cash rebates, the new owners said.

About 5,000 members here were enrolled in various winter sports leagues when the club's parent company, StreetZebra.com, of California went bankrupt, shutting down Chicago and 17 other branches nationwide with no notice.

The new investors group, led by Mark Bortz, head of Entertainment Group Inc., a local marketing company, also acquired Club branches in Detroit and San Francisco. Bortz is now the president of Chicago Sports and Social Club.

"We're a group of young professionals who enjoyed the services provided by the... club and wanted to continue these activities," Bortz said at a press conference Tuesday. "With this acquisition, we are improving the Chicago Sport and Social Club and will relaunch activities in the spring."

The club, popular with young professionals as a social network, organizes sports teams into leagues and provides playing fields through schools and city parks, most of them on the lakefront. Members play football, volleyball, softball,

floor hockey, basketball, soccer and other sports.

The Chicago club, with 60,000 members, is the largest of its kind in the city. It had organized a February ski trip to Breckenridge, Colorado, which was scrubbed. Some members had paid as much as \$1,039 to reserve a spot on the ski trip.

Club spokesman John Digles said the new owners cannot make good on the ski deposits.

Former customer Mark Mondo, 29, of East Village, said a club employee called him Tuesday with information about the winter rebate program and an offer to rejoin the club.

Mondo said he hasn't decided yet if he will give the club a second chance but added, "They'll have to do a heck of a lot better than a free season. I think they need to offer cash."

Mondo paid \$1,000 in dues for his 12-member floor hockey team on Jan. 12. The team had not played its first game before the club folded two weeks later. Mondo, a computer consultant, said his credit card company refunded his payment.

Mondo has taken his team and his business to its closest competitor, SportsMonster.

"People not only lost time, they lost money. They lost faith," he said.

Spokesman Digles said Mondo's attitude is "completely understandable."

"Many of the members who are now investing in the club felt the same way in January, but the blame goes to StreetZebra.com. This is a completely new leadership, and the sins that happened in January will have no place in this new venture," Digles said.

Others were more forgiving. "I never had the impression that there was any malice in any of this," said Jeff Dix, 26. "The company had some hard times, but they said they're going to do anything they could to make it right, and apparently that's what's happening."

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FILE

SHOWCASE

N.Y. company to book Rosemont concerts

BY JIM DEROGATIS
POP MUSIC CRITIC

The Pac Man of the concert industry has just gobbled its way into Chicago.

New York-based SFX Entertainment Inc. announced Monday that it had entered a 10-year agreement worth an estimated \$16 million to book all concerts and theater productions at the 17,500-seat Rosemont Horizon and the 4,200-seat Rosemont Theatre, two of the Chicago area's premier entertainment venues.

Industry observers say the Rosemont deal could lead to higher ticket prices and a new concert industry monolith that will dwarf even Ticketmaster. Eventually that could give fans of live music fewer choices.

"In our music operations, we now establish a presence in Chicago, the only one of the top 10 markets in which we did not operate," said SFX Chairman Robert Sillerman in a prepared statement. "We look forward to taking on our new responsibilities and providing the Chicago market with the broad array of entertainment events which SFX can deliver."

In the last year, SFX has emerged as the dominant player in the concert business, swallowing smaller regional promoters across the country and racking up nearly \$715 million in debt in the process. Its goal: to dominate by booking tours nationwide, standardizing ticket prices, and creating new revenue with large-scale corporate sponsorships (a

la "Tommy Hilfiger presents the Rolling Stones").

The Rosemont deal puts SFX in direct competition with Chicago-based Jam Productions, long the city's largest concert promoter. Jam is one of a dwindling number of regional promoters holding out against the giant SFX, and only months ago it rejected a bid to sell out to the company.

"We're always ready for a fight; that's just the nature of the beast," said Jerry Mickelson, one of Jam's founding partners.

Only three weeks ago, Harry Pappas, executive director of the Horizon and the Rosemont Theatre, denied the existence of an SFX deal. Monday, he said the media is incorrectly emphasizing the angle of a competition between Jam and SFX.

"SFX will be the contact to book the building; it's their job to provide us with events," Pappas said. "If Jam has a show, they can call up the Entertainment Group [SFX's local booking arm], put a date on hold and run their [Jam's] show."

The same sort of exclusive agreement was at the heart of the controversy over Ticketmaster several years ago. Mickelson noted that while Jam could theoretically continue to book shows at the Horizon, SFX also could shut out competitors by pricing them out of the market.

"It depends on what their goal is," Mickelson said. "Is their goal to book the Horizon, or is their goal to get a foothold in the market?"

Jam has been fighting a similar battle on a much small-

er front with the nationwide House of Blues chain. Jam sometimes loses acts that would normally play the Vic or the Riviera because the House of Blues is willing to pay more and take a loss on ticket sales just to draw people into the venue.

Rumors are rife that SFX is also seeking a foothold at the New World Music Theatre. Although Jam owns a piece of that venue, it ceded summertime operations there to longtime rival the Nederlander Group several years ago.

Mickelson said he had "no idea" about such a deal at the World and was still unsure exactly what the Rosemont deal means. He did have one prediction.

"What this will mean to concertgoers is if [SFX] is going to bid on acts against us, the price of the ticket goes up," Mickelson said.

Rosemont's Pappas disagreed. "I think it's going to bring a consistency to the touring market," he said. "I don't view SFX as exerting monopolistic powers on people. They just want to take the loose ends of the concert industry, which has been a divided industry forever."

The emergence of SFX is a sign of the times, Pappas added, similar to Barnes & Noble dominating in the book world or Microsoft in computer software. "It goes along with the mergers and the acquisitions and the streamlining of operations," he said. "This fits in with the picture of America at this time."

Perhaps. But the question Chicagoans will have to answer is: Does it fit in with rock 'n' roll?

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10/2/89

At the Races

NEWS AND VIEWS BY JIM O'DONNELL

State police join Arlington ticket probe

THE ILLINOIS STATE POLICE have saddled up with the expanding posse combing the mutuel trails around Arlington Park. Multiple industry sources confirmed that investigators from the state police have joined staff examiners from the Illinois Racing Board in probing the alleged theft of \$1 million in uncashed mutuel tickets at the northwest suburban oval.

Among the biggest hurdles in the state investigation is said to be that ISP inspectors don't know enough about the workings of tote systems, and Racing Board gumshoes are not fully versed in criminal probes. On top of that, two sources familiar with the investigation are insisting that authorities are being hindered by rogue alterations to and deletions of Arlington computer records after the IRS-Criminal Investigations Division first came calling in December.

THERE WAS A NOTEWORTHY TRIO sharing nods at the Illinois Racing Board meeting this week—Wayne Johnson, chief investigator for the Chicago Crime Commission, plus anti-gambling oarsmen Paul Caprio and the

Rev. Tom Grey. Johnson said he was there "to see if there's any further mention of Rosemont," referring to the racing riverboat he helped torpedo in front of the Illinois Gaming Board two weeks ago. (There wasn't.)

As for Caprio and the Rev. Grey, they attended to help bang the drum loudly against Illinois House Bill 172. That's a nonsensical, anti-public interest proposal still in committee that seeks to combine the Racing Board and the Gaming Board, then trim the new panel's annual schedule of meetings to four. "That would speed the end of any semblance of effective regulation of gambling in Illinois," the Rev. Grey warned. Amen.

THE BRAIN TRUST AT SPORTSMAN'S PARK have constructed an auxiliary media room to help the more business-minded try to sidestep the pull-my-finger antics in the gulag's itchy press box/playroom. ... Speaking of construction, Arlington announced plans Wednesday to raise three new barns (stall capacity: 164) at a cost of \$3 million before its June opening. And yes, cynics already are calling it "The Noel Hickey Memorial Wing."

FROM THE YANKEE DOODLE BLUEGRASS FILE: Will Farish—chairman of the board of Churchill Downs—has emerged as George W. Bush's leading candidate to become ambassador to Great Britain, according to the Blood-Horse. Farish, 62, has entertained equine enthusiasts. Queen Elizabeth II no fewer than four times at Lane's End, his opulent Kentucky farm.

COLORFUL AGENT HARRY "THE HAT" HACEK reports that he will represent Los Angeles jock Matt Garcia full time on the Chicago circuit this season. ... Arlington opens an eight-week "Road to the Derby" contest at Trackside and its four satellite parlors Saturday. Grand prize at each site is a trip for two to Derby weekend in Louisville, Ky. Complete details are available at arlingtonpark.com.

Futures? Why not call the Sun-Times Turf Hot Line with one? Leave your question, comment or complaint—along with a verifiable name and phone number—at (312) 321-2000. Or e-mail it to turf@suntimesmail.com.

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Rosemont mayor's son sweeps up big bucks

Village contracts renewed this week

BY CHRIS FUSCO
SUBURBAN REPORTER

A company run by the son of Rosemont Mayor Donald E. Stephens stands to make millions through six contracts renewed by the village board this week.

Mark Stephens is a major stockholder in Bomark Inc., which cleans Rosemont's Allstate Arena, Rosemont Theatre, Donald E. Stephens Convention Center and Willow Creek health club. The company also manages parking at the arena and theater.

The village paid Bomark more than \$3.5 million in 1999, the latest year for which figures have

been tabulated. Bomark often bills Rosemont based on the amount of time and manpower it spends at events, which range from concerts to sports to truck shows.

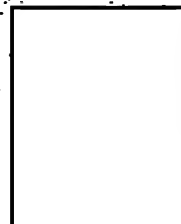
"It's not a fixed amount every month," Village Attorney Peter Rosenthal said.

Rosenthal and village officials declined to predict how much Bomark would make this year. The increases amount to between 2 percent and 3 percent per contract, Rosenthal said.

Mayor Stephens disclosed his son held stock in Bomark before village trustees voted on the contracts. Trustee Bradley Stephens, another son of the mayor, abstained from the votes.

Bomark began doing work for the village in the mid-1980s, Rosenthal said.

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At the Races

NEWS AND VIEWS BY JIM O'DONNELL

Arlington mutuel probe going nowhere fast

THE CHAIRMAN OF THE ILLINOIS RACING BOARD said Wednesday he doesn't think the official state investigation into the alleged theft of \$1 million in uncashed mutuel tickets at Arlington Park will uncover any sort of criminal activity.

"I don't think there's anything there," said Ralph Gonzalez the Downstate insurance man who has served on the IRB since 1985 and has been its chairman since 1999.

"Really, other than the usual day-to-day mistakes you might find in any kind of operation of that size, I don't think we're finding anything at all."

THE IRB BEGAN ITS PROBE into the Arlington matter five weeks ago when it was informed about the alleged theft by the Criminal Investigations Division of the Internal Revenue Service. An IRS agent told the IRB at that time that his unit was passing on information because of "a lack of jurisdiction" in undisclosed areas attendant to the federal inquiry.

IRB staffers have been assisted in their review at Arlington by

members of the Illinois State Police since earlier this month.

SOURCES FAMILIAR with both the federal and state investigations say the state of Illinois team has been stymied for some obvious reasons. "One, they're conducting many of their interviews in rooms at Arlington that everyone thinks are wired," a source said. "And two, people are afraid where something they may say in front of some of the Racing Board people will go."

ON ANOTHER FRONT, chairman Gonzalez denied the long-running rumors that he is set to resign from the IRB. "No, I certainly haven't decided that," he said. "I have no plans to do anything like that."

Gonzalez ascended to the top spot on the board 16 months ago when Downstate paving magnate/politico Gene Lamb suddenly resigned after his daughter received a quarter-point share in the temporarily capsized Rosemont racing riverboat. That quarter-point was expected to provide a \$1 million annual gross to the family of the former chairman.

PURSE MONEY AND TROPHIES for the 1999 Arkansas Derby finally have been awarded. That was the controversial classic in which first-place finisher Valhol, a maiden, was disqualified after jockey Billy Patin was found to have used an illegal buzzer. Owner, James Jackson carried his protest through numerous courts, but the decision of the Arkansas Racing Commission prevailed.

Adding an updated twist to the matter is that new official winner Certain, the second-place finisher in 1999, most recently was trained by the late Jeff Jacobs. Jacobs, 40, died of complications from diabetes nine days ago. His stable at Oaklawn now is being directed by Lynn Whiting. Certain's trainer for the Arkansas Derby was Leo Azpurua Jr.

Leave your comment, question or complaint—along with a verifiable name and phone number—on the Sun-Times Turf Hot Line at (312) 321-2000. Or e-mail it to turf@suntimesmail.com.

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10/27/01

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Downstate casino may seek move to Waukegan

Mayor won't name operator but says there's interest

By CHRIS FUSCO
SUBURBAN REPORTER

Waukegan's mayor and a long-time Lake County developer say a Downstate casino is interested in moving to the city, even if state gambling regulators allow a casino in Rosemont.

Neither Mayor William F. Durkin nor developer Alan Ludwig on Thursday would name the casino, but both described the company's interest as a big step toward landing a casino and tapping its tax revenues to revitalize Waukegan.

"There have been some conversations," said Ludwig, who controls an option to buy a potential casino site along Lake Michigan. "I'm really not at liberty at this time to be more specific than that, but we believe there's an opportunity."

Lake County Riverboat L.P. has been trying in vain to open a casino in the Fox Lake area of the county. CEO Glenn K. Seidenfeld Jr. declined to say Thursday

whether any Downstate casino owners have contacted him.

Downstate casino companies Thursday either denied talking with Waukegan or could not be reached for comment, but sources close to the gambling industry have said at least one would consider a move to a more lucrative market.

The possibility of more casinos moving to the Chicago area comes as Emerald Casino fights to relocate from East Dubuque, where it ran a failed casino, to Rosemont.

Lawmakers in 1999 amended the state's gambling act to make the move possible, but gambling regulators last month denied Emerald's application, saying two of Emerald's major stockholders lied to investigators during background checks and that two other investors had organized crime ties.

Waukegan officials hope Emerald's appeal fails and opens up competition for its gaming license, but they aren't counting on it. With Gov. Ryan and other lawmakers against creating new licenses, the city's next best hope is to attract an existing casino to town.

If they can move a license to Rosemont, then that would mean

those licenses are portable, and they could conceivably be moved if some license holder wanted to move to a better location," Durkin said.

Waukegan would be an ideal site because it could attract patrons from the North Shore and southeastern Wisconsin, the mayor said. A Waukegan casino's market share would be even bigger if Wisconsin officials nixed plans for a casino just north of the state line. The state's new governor is said to be against the project, Durkin said.

While Durkin and Ludwig said they believe the Illinois Gaming Board could approve a casino's move from one community to another, others say it probably won't be that simple.

Susan Gounlock, executive director of the Illinois Casino Gaming Association, said Waukegan would need to have lawmakers amend the riverboat gambling act so a casino could move to the city.

Durkin said the original intent of the riverboat gambling law was to help communities like his and that his city should have an advantage in attracting a casino.

"It was meant for towns that had seen their better days," he said. "I think we fit the mold."

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alleged mob links cut

Wayne Newton sings bettors' tune

BY CHRIS FUSCO
SUBURBAN REPORTER

Millions of Americans gamble each year. Now the industry wants to unite them behind a single anthem: "Danke Schoen."

Entertainer Wayne Newton, known as Mr. Las Vegas and known for his trademark song, "Danke Schoen," is chairing the first nationwide effort to promote gambling at the grass-roots level. The group, Americans for Casino Entertainment, hopes to harness the power of gambling enthusiasts to counter vocal anti-gambling groups.

"Forty million people a year go to Atlantic City, 39 million go to Las Vegas and millions more go to casinos in Illinois, Iowa, Missouri" and other states, said Frank J. Fahrenkopf, president and CEO of the American Gambling Association, which is organizing the citizens group. "If and when there's an unfair law, we want to motivate them to be of assistance."

The group hopes to attract members through a new Web site, www.aceaction.com, and through letters to people on casino mailing lists.

Test mailings began going to thousands of poten-

tial members during the last three weeks, Fahrenkopf said. In one letter, the 58-year-old Newton writes "powerful forces are at work in Washington and in state capitals."

"A new coalition is forming—a coalition of politicians and vocal anti-gambling groups that want to take away your right to enjoy casino gaming. They want to tell you how to behave, how to live and what kinds of entertainment you may choose. It's wrong and it's happening right now."

The first issue the group wants people to write Congress about is a proposed ban on college sports gambling in Las Vegas. The group contends the move only would create more illegal sports gambling operations. Eventually, Fahrenkopf hopes to use other entertainers to help recruit members.

Newton's involvement with the pro-casino group doesn't faze one of the nation's leading anti-gambling activists so far.

"If that's the best you can do, none of us are intimidated by it," said the Rev. Tom Grey, a United Methodist minister from the Rockford area. "It's a move that shows me we are having an impact at this point."



Mr. Las Vegas is chairman of Americans for Casino Entertainment.

It's possible "one or two high-level people at the gaming board just don't like Rosemont, but the vast majority of the world thinks Rosemont is the right place to put this."

—Rosemont spokesman Gary Mack

him would oversee the work.

Rosemont even wanted to control the landscaping.

"I want it to look like Disney World. It's a tourist attraction, and we want it to look like that," Stephens told the Sun-Times in September. "We want to control the Christmas decorations."

"There's nothing devious or sinister about the whole thing," Stephens added.

But the gaming board complaint states that "certain terms" of the lease "tend to discredit the Illinois gaming industry and/or the State of Illinois." It goes on to say that the lease allowed "the village of Rosemont to waive the requirement that Emerald first obtain the necessary regulatory approval from the board prior to commencing construction."

The lease also failed "to provide Emerald with the ability to exercise appropriate supervision or control" over casino construction. The company stopped work at the site in February 2000 after the gaming board warned that continuing would be illegal.

Mack called the complaint's statements about casino construction "laughable."

"The whole world knew it was going on. The previous chairman of the gaming board even came out and visited the site shortly after the groundbreaking," he said. "I find it hypocritical the board would take a holier-than-thou approach."

As for campaign contributions, Nick Boscarino, whom the complaint calls a "known associate of organized crime," has given Stephens \$20,000 since November 1999. Boscarino denies any associations with the mob, but his wife, Sheri, is considered one of two



JEAN LACHAT/SUN-TIMES

Two of the alleged mob-tied parties in the Illinois Gaming Board's complaint against Emerald Casino are linked to Rosemont Mayor Donald E. Stephens (above) through campaign contributions.

mob-tied casino investors named by the board in the complaint because she's married to Nick Boscarino. The other did not donate to Stephens' campaign fund.

Besides Boscarino, Stephens received \$8,000 in contributions from D&P Construction since October 1999. (D&P, the gaming

board claims, is a mob-tied company that was working at the casino site.)

Regardless of how gaming board members feel about Emerald and Rosemont, their actions so far have several municipalities and high-profile casino companies licking their chops. Should Emerald's

gaming license be revoked, state law would require the gaming board to take control of it.

Where it goes from there is subject to legal interpretation.

Interpreted narrowly, state law would require the license to go back on the Mississippi River, where Emerald's failed Silver Bay

casino once floated, said Chicago attorney William Kunkle, the gaming board's first chairman. Interpreted broadly, the law would allow any Illinois community, including Chicago, to be home to the boat-in-a-moat envisioned for Rosemont.

Waukegan and Calumet City officials long have lobbied to have casino cash flowing into their coffers, and Kunkle represents a Rockford casino group.

Another group, Lake County Riverboat L.P., has pledged to continue its fight to get the license through court action. It claims state legislators approved an unconstitutional law that opened the door for Emerald to move to Rosemont in the first place. A Cook County judge recently denied the company's request to rehear the case, setting the stage for an appeal.

Another scenario has state lawmakers intervening and awarding Emerald's license to the Miami Indians in exchange for them dropping a lawsuit staking their claim to 2.6 million acres of land in 15 Downstate counties. Thomas C. Wilmot Sr., a New York shopping mall developer, told the Associated Press in January that he has paid "most of the legal fees" in that case because of the potential to develop a casino. Tribe officials did not return phone calls seeking comment. And how this would affect black and female Emerald investors is unclear.

Finally, a bill pending in Springfield might put the Rosemont casino plan back on track. It aims to combine the state's horse racing and gaming boards, which anti-gambling groups fear puts the gaming board's decision to revoke Emerald's license in jeopardy.

Casino investors want

Some, who helped Emerald meet a 20 percent woman-and-minority threshold are considering suing the company's CEO, his father and management

BY CHRIS FUSCO
SUBURBAN REPORTER

In the two months since the Illinois Gaming Board yanked Emerald Casino's gambling license, the company has quietly worked to run itself through the washing machine.

Emerald is appealing the board's Jan. 30 decision. It denies having mob ties and that key shareholders lied to the board. Those were the reasons cited by the board when it rejected its application for a casino in Rosemont.

The company is looking to clean out the handful of shareholders allegedly linked to organized crime, several investors say.

Emerald also is in talks with several Las Vegas gambling companies interested in buying out CEO Kevin Flynn and his father, Donald, whom the gaming board has accused of lying repeatedly about casino dealings.

In return, Emerald would want state regulators to let the company's 50-plus other shareholders keep the license rather than revoke it.

Would the gaming board accept that or a similar compromise?

That's the multimillion-dollar question. And while a settlement is legally possible, there's no guarantee the board will wheel and deal.

Nonetheless, Emerald has good reasons to make its settlement pitch. It could run up a big legal tab appealing the board's decision, especially if it isn't resolved by an internal process expected to last several months. Also, black and female investors recently met at a Chicago health club to discuss legal action against the Flynn's and Emerald management, investors and other sources close to the company said.

Many of those investors, who helped Emerald meet a 20 percent minority-ownership standard in state law, feel cheated by the way the casino deal has gone down. Several have formed a committee that's studying what went wrong.

They fear their money might be lost forever because Emerald has spent \$25 million so far, according to the gaming board. It also is on the line to reimburse Rosemont more than \$40 million for a new parking garage next to the casino site east of Interstate 294.

"We felt that the door was being opened to women and minorities, and we went into this thing in good faith," said a minority investor, speaking on condition of anonymity. Now, "there's a lot of risk here."

The big concern, the investor added, is that Emerald was assuring shareholders regulators would approve the deal despite signs it



BRIAN JACKSON/SUN-TIMES

Kevin Flynn (left) and attorney Michael Ficaro at the Illinois Gaming Board hearing Jan. 30. The Michigan attorney general's office is reviewing a contract Flynn's Field Street Inc. has with a Las Vegas company to lobby against Indian tribes' efforts to open competing casinos.

Emerald Casino owner defends lobbying pact

BY CHRIS FUSCO
SUBURBAN REPORTER

As Kevin Flynn sweats out Emerald Casino's future in Rosemont, the Michigan attorney general's office is reviewing a criminal complaint against another company he owns.

If charged and convicted, Flynn could face up to three years in prison for breaking a state lobbying law, a Michigan attorney general's spokesman said.

But in a recent interview, Flynn said he is "1,000 percent sure" Michigan investigators will find nothing wrong with the contract between his firm, Field Street Inc., and Boyd Gaming Corp. of Las Vegas.

Boyd, whose holdings include the Par-A-Dice casino in Downstate East Peoria, bought the Blue Chip Casino in Michigan City, Ind., from Blue Chip Casino Inc. for \$273.5 million in 1999. Flynn, his father, Donald, and brother Brian made millions on the sale, with Indiana Gaming Commission records showing

they had a combined 61 percent stake in Blue Chip before it changed hands.

Besides the sale, Boyd inked a five-year, \$2.5 million "consulting agreement" that called for Field Street to lobby against two Indian tribes' efforts to open competing casinos in Michigan. It also called for Field Street to get \$5 million if it succeeded in keeping the casinos from opening until after June 2004.

The complaint, filed by New Buffalo, Mich., resident Susan A. Rahm, contends the bonus violates a Michigan law that prohibits outcome-based payments to lobbyists. Rahm is the wife of New Buffalo Township Trustee Pete Rahm. The township would be among the parties to get a percentage of casino revenues should the Pokagon Band of Potawatomi Indians succeed in opening a New Buffalo casino.

"It appears clear that Mr. Flynn and/or Field Street and Boyd Gaming have an outcome-based contract that violates Michigan law," Rahm said in her complaint.

"These matters clearly require investigation."

Chris De Witt, a spokesman for the Michigan attorney general's office, said the matter is under review. He said he did not know how long investigating it would take.

Flynn declined to respond directly to Rahm's charges but said several attorneys have reviewed the contract.

"The lobbying that's being undertaken" has been reviewed by counsel from several reputable firms," he said. "All agree no issues exist."

The Indiana Gaming Commission fined Boyd \$1 million for not disclosing the contract with Field Street until after Boyd won approval to run the Blue Chip in Michigan City. The Illinois Gaming Board has accused Flynn of not being truthful about the Indiana pact, citing it as one of the reasons it is denying Emerald Casino's application to open its planned Rosemont casino.

Neither regulatory body has called the contract itself illegal or improper.

was in trouble. Several in the minority group, including Connie Payton and former Chicago Bear Shaun Gayle, came to the gaming board's Jan. 30 meeting to hear what members had to say for themselves. Other prominent investors in the group include Jacoby Dickens, chairman of Seaway National Bank; lawyer Chaz Ebert, wife of Sun-Times film critic Roger Ebert, and Albert W. Johnson, a longtime South Side and south suburban car dealer.

The gaming board set a precedent for settling cases earlier this year when it allowed Jack Binion's

Horseshoe Gaming Holding Corp. to sell the Empress Casino in Joliet. State regulators approved the casino's sale to Binion but later declared him unfit to run it.

A settlement with Emerald won't come as easily, sources close to the board said.

Besides their problems with the Flynn's, gambling regulators don't like Rosemont's role in the planned casino. Several of their statements, however, suggested the village is an ideal casino site when they voted down Emerald's plans Jan. 30.

Rosemont spokesman Gary Mack

believes gaming board members still are enamored of the northwest suburb. It's possible that "one or two high-level people at the gaming board just don't like Rosemont," he said, "but the vast majority of the world thinks Rosemont is the right place to put this."

But the board's recently released written complaint against Emerald, one source said, sends "strong signals" that regulators aren't too high on Rosemont. Bolstering that theory is that two of the alleged mob-tied parties in the complaint are linked to Rosemont Mayor Donald E. Stephens

through \$28,000 in campaign contributions.

"The nature of this thing is Don Stephens having brought the Outfit guys to the party," said the Rev. Tom Grey, executive director of the National Coalition Against Legalized Gambling. "The price of making this happen was him saying, 'I'll control the entire thing for Rosemont.'"

The 120-page lease agreement between Emerald and the village shows signs of Stephens' influence. It mandated that a construction company whose owners were once indicted—and later cleared—with

WEDNESDAY, APRIL 4, 2001

Casino opponents: Larger board would help out Rosemont

BY JOHN S. SHARP
Daily Herald Staff Writer

SPRINGFIELD — Anti-gambling activists warned Tuesday that a proposal to increase the members on the Illinois Gaming Board to seven from five is an attempt to pack the board with members sympathetic to plans for a casino in Rosemont.

The warning came after the Illinois House Executive Committee approved the changes.

"This Gaming Board has functioned for 11 years with five members," said Anita Bedell, executive director of the Illinois Church Action on Alcohol Problems, a leading anti-gambling group. "We think this will change the dynamics of the board and tip the balance to the favor of gambling in Rosemont."

Recently, the Illinois Gaming Board rejected by a 4-1 vote a proposal that would have put a riverboat casino in Rosemont. In shooting down the plan, board members claimed they were lied to by top Emerald Casino officials, the group trying to build the Rosemont casino. The board also made allegations of mob connections among some shareholders in the ownership group.

Gary Mack, a spokesman for Rosemont Mayor Donald Stephens, said Bedell and others were way off base.

"The number of people on the board has nothing to do with the vote," Mack said.

State Rep. Joel Brunsvold, a Quad City-area Democrat and sponsor of expanding the Gaming

Board, said he was not motivated by the board's rejection of the initial Rosemont plan. Brunsvold said he thought the board needed more members.

"That riverboat will be in Rosemont regardless of whether we have a five-member board or a seven-member board," Brunsvold said. "As soon as they get the right owners there, it will be located there."

Four members on the Illinois Gaming Board — Gregory Jones, Stuart Levine, Staci Yandle and Sterling Mac Ryder — voted against a Rosemont riverboat casino. The only member to vote in favor of the proposal was Joseph Lamendella. Shortly after his vote, Lamendella quit the board, citing a lack of interest in continuing as a member.

Gaming Board Chairman Gregory Jones said he was unaware of the proposal or the need for it.

"I don't think there has been any problem with five members," Jones said. "I'm not sure what the sponsor's concerns are."

Simply adding more members is no guarantee of anything, Jones said. "You'd have to look at who was appointed and you'd have to look at their motivation," he said. Jones noted that there had been proposals in the past to add people more sensitive to the problems of gambling to the board.

Other board members and Lamendella could not be reached for comment.

Gov. George Ryan, who appoints Gambling Board members, has not taken a stance on the proposal, a spokesman said.

John

194B-CG-114999 (NC)-9

CHICAGO TRIBUNE
4-12-01

Leading the way is TaxiMex, which has grown from a three-car fleet to 30 cabs since October. TaxiMex has given rise to competitors such as Every Sunday cabdrivers shuttle carloads of people to churches throughout the suburbs. Taxis line the curbs out One person said he pays \$17 each way for the 8-mile trip from north Arlington Heights to the Rainforest. cook. When he called for a PLEASE SEE TAXIS, PAGE 6

Casino group calls state rejection 'frivolous'

By Douglas Holt
Tribune Staff Writer

Officials behind the founding Rosemont casino proposal say they offered to oust shareholders identified as having mob ties, but the Illinois Gaming Board flatly refused to let that happen before using it as an excuse to reject the project, according to documents obtained Thursday by the Tribune.

Seeking to overturn the board's ruling, principals of the proposed Emerald Casino filed a 108-page brief with the gambling agency arguing that its rejection was based on "frivolous allegations and unfounded statements" made by

opponents with axes to grind.

The casino also said the board's action amounted to "an unjustified and unlawful assassination of the character and reputation" of Emerald officials, including Donald F. Flynn, the investment group's chief, and his son, Kevin, the would-be casino's chief executive officer.

The Gaming Board rejected the Emerald Casino in January, citing crime syndicate connections of two shareholders as well as a company hired to work on the casino construction site. The board also complained about a pattern by the Flynn's and other top casino officials of providing false information to regulators.

The casino group's response was filed with the Gaming Board last month and was released in response to a request under the Freedom of Information Act.

Board Administrator Sergio Acosta declined to specifically respond to the document, which asks for a hearing before a board-appointed administrative law judge who can recommend whether the rejection should be reconsidered.

Our response will be made in the course of the administrative hearing, Acosta said.

Beyond a point-by-point denial of all allegations against the casino, the brief signed by

Emerald lawyer Michael Ficarro attacked Gaming Board rules, which are similar to regulatory standards in place in most other states that permit gambling. The core of the gaming board's charge against the Emerald, the document says, is a Gaming Board rule permitting license denial if an applicant's background, reputation and associations will result in adverse publicity for the state of Illinois and the gaming industry.

This is an extraordinarily subjective standard that leads to abuse, the document says. "Persons are denied license renewal and relocation

PLEASE SEE CASINO, PAGE 15

By Carolyn
Tribune Staff
The sign
cy's store
customers

5/2/01

dmz

194B-CG-114999-NC-10

of how many people are rep...

CASINO: Emerald says board biased

CONTINUED FROM PAGE 1

because a third party... is 'ru-mored' to have 'connections' to organized crime."

Under a different name, the Emerald company once operated a financially troubled casino in the northwest part of the state near Galena that was eventually shut. The Gaming Board then launched administrative procedures aimed at yanking the Emerald's license, a move that was cut short by the 1999 passage of a new state gambling law that appeared tailor-made to allow the Emerald group to open the Rosemont facility.

Citing that earlier move on its license as evidence of unfairness, the Emerald brief accuses the board of remaining "deeply biased" against the company.

Saying that the 1999 law removed the board's discretion to block the casino, the brief said the Flynns and their partners "have a clear statutory right" to operate a casino in Rosemont.

Though Gaming Board rules say casino operators have a "duty to investigate" all casino job applicants, the Emerald brief argues that the same mandates do not apply to shareholders brought on to own a piece of the casino.

One casino shareholder identified as having a connection to organized crime was Nick Boscarino, a former business partner of Rosemont Mayor Donald Stephens, whose Emerald investment is through a proxy.

The other was Joseph Salamone, the owner of an Oak Park grocery, whose brother and business partner has organized crime ties, according to the board.

"These alleged failures to investigate or conduct due diligence are at best red herring, and more properly frivolous," the document says.

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The Reader 4-12-01

Chicago attorney Herbert Holzman has accepted the hot seat in the continuing Rosemont casino saga. Holzman will act as administrative law judge when Emerald Casino appeals the loss of its license, pulled earlier this year by the Illinois Gaming Board. Holzman had also been scheduled to hear Jack Binion's appeal after the board found him unfit to own or operate Joliet's Empress Casino. Binion agreed to cash in his holdings before that show got under way. Chicago Crime Commission investigator Wayne Johnson says Rosemont is a questionable place for a casino, no matter who the owners are: "Cook County is the epicenter for organized crime in the midwest. Why put a casino into an area the Gaming Board can't properly police?"

*W
5/9/01*

June

194B-CG-114999-NC-11

For O'Hare plan, it takes a village

World Gateway effort runs into Schiller Park

By PATRICIA RICHARDSON

The tiny village of Schiller Park finally gets a chance to beat up on a neighborhood bully—the city of Chicago.

Officials in the western suburb bordering O'Hare International Airport say their complaints about the noise and traffic generated by the airport have fallen on deaf ears for years. But that could change now that Chicago is seeking the village's approval for a project linked to the airport's multibillion-dollar World Gateway expansion program.

Chicago's plan to build a new \$1-billion terminal as part of World Gateway calls for relocating offices and a kitchen operated by Texas-based LSG Sky Chefs and a 50,000-square-foot warehouse used by Atlanta-based Delta Air Logistics to a site on the southeast side of the airport.

Although the roughly 12-acre parcel near the intersection of Mannheim Road and Lawrence Avenue is owned by the airport,

a large portion of it falls within Schiller Park's borders. Before Chicago can relocate the businesses to the site, it must obtain a zoning change and building permits from Schiller Park officials.

A member of the Suburban O'Hare Commission (SOC), Schiller Park has long opposed the airport's expansion, and some village officials say they'll likely reject the requests.

"The airport is getting bigger and bigger and now it's infringing on our borders. If I had to vote on this, I would vote no," says Schiller Park Trustee Irene Del Giudice.

Mayor Anna Montana says she won't comment on the plans until she has a
See SCHILLER PK. on Page 60

Border patrol: Schiller Park Trustee Irene Del Giudice is no fan of nearby O'Hare International Airport, saying the facility is encroaching on the village's boundaries.



(Indicate page, name of newspaper, city and state.)
Crescent Chicago Business

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It's village vs. O'Hare

SCHILLER PK. *from Page 3*

chance to study a formal proposal to determine what connection, if any, this plan could have with possible additional runways at the airport.

"We are members of SOC, and we stand firmly with them," she says. "We are against new runways at O'Hare."

But Elk Grove Village Mayor Craig Johnson, vice-chairman of SOC, says this is a golden opportunity for Schiller Park to hold Chicago's feet to the fire—seeking compensation for the impact O'Hare has had on the community or even halting the airport's expansion.

"Goliath is on his knees looking eye to eye with David," Mr. Johnson says. "And we're going to use it to our advantage. What goes around comes around, and for one time, this puts a SOC community in a very favorable position."

Preferred site

According to a source familiar with the project and ongoing development at the airport, the parcel is one of the few sites suitable for the uprooted tenants. Both Sky Chefs, which provides catering services for major commercial carriers such as American Airlines, and Delta Air Logistics, which is Delta Air Lines' cargo company, need to be close to existing terminals, and available sites on the north and west sides of the airport are too remote, the source says.

Sky Chefs and Delta did not return calls seeking comment.

But a spokeswoman for the city's Department of Aviation concedes that the parcel is the preferred site for relocating the companies.

"The main thing is the convenience of the site," she says. "It's close to the terminals, and ties into the air service road system. If this doesn't work, we would have to look at reconfiguring the plan, but it would not be advantageous."

Tentative plans call for starting construction on the new buildings later this year.

With as much as \$600,000 in

additional property tax revenues at stake for the village and local school districts, Chicago's plan could test the working-class community's allegiance to SOC and its voters.

In a villagewide referendum earlier this month, more than 95% of Schiller Park voters favored seeking more money from Chicago and the airlines for soundproofing, and nearly 80% voted against new runways.

City could challenge

Rita Athas, Chicago's director of regional programs, says that while the city's plan will bring the village tax revenues, it won't give the suburb more leverage in negotiating for additional soundproofing money. For that, Schiller Park officials will have to look to the noise commission created to distribute those funds, she says.

And while village officials have the power to deny the city's request, they'll have to weigh their decision carefully, as it could wind up being challenged in court.

"Schiller Park must review the requested zoning action in a reasonable manner in accordance with its own standards," says Steven Elrod, a partner at Chicago-based law firm Holland & Knight who specializes in land use and zoning law (but has no connection to O'Hare matters). "It can't act arbitrarily or capriciously. The city is either entitled to zoning relief or not on its own merits, and politics and position concerning the airport's expansion should not come into play."

With commercial and industrial development lining the Mannheim Road corridor, it will be hard for Schiller Park to argue that Sky Chefs and Delta would be out of place at the site, say Ms. Athas and others.

Although most concede that Schiller Park would have a hard time stopping the project, the village could do a lot to slow it down.

"Sure, Chicago could challenge their decision," says SOC's Mr. Johnson. "But this could all become a very long process."

Rosemont hires mayor's old foe

Stephens mum on decision to retain ex-U.S. attorney Webb

BY CHRIS FUSCO
SUBURBAN REPORTER

As U.S. attorney, Dan K. Webb twice hauled Rosemont Mayor Donald E. Stephens into court, accusing him of lying on his taxes and getting kickbacks from secret ownership in a land deal.

Stephens beat both federal raps in the mid-1980s. And apparently, he doesn't hold a grudge.

With his village in the middle of casino controversy, the mayor announced Wednesday Rosemont has retained Webb to "be a lawyer." Stephens refused to give details. Village Attorney Peter Rosenthal also was coy about Webb's role.

"You will find that out in the future," Rosenthal said. "I don't think the village is refusing to disclose anything that otherwise would not be subject to disclo-

sure."

Webb, who did not return telephone calls, is a partner at the law firm of Winston & Strawn, which includes former Gov. James Thompson. He is perhaps best known for his successful prosecution of retired Adm. John Poindexter in the Iran-Contra affair.

Stephens disclosed that Webb is working for Rosemont during a municipal-development discussion at a morning village board meeting. The mayor, who has threatened lawsuits over Rosemont's casino plight, said he was noting it for the public record.

While he didn't go into detail



Dan K. Webb
Hired by village



Donald Stephens
Still wants casino

about Webb, Stephens broke his recent silence about Emerald Casino. The mayor said he has received "a lot" of calls from gambling executives since Illinois regula-

tors shot down Emerald's plans for a Rosemont casino in January.

"I tell them, 'The village of Rosemont does not sell stock in casinos. The village of Rosemont does not issue gaming licenses. If you get past that and want to talk to the village of Rosemont, we'll be glad to talk to you,'" he said.

Still, Stephens singled out national casino operators MGM Mirage, Harrah's Entertainment, Park Place Entertainment and Mandalay Resort Group as compa-

nies he'd like to see in Rosemont. "From our point of view, they'd be great," he said.

Stephens worries the casino saga is hurting Rosemont's reputation. Emerald is fighting the Illinois Gaming Board's decision to reject its Rosemont plans, but sources close to the company say it hopes to sell stock to a reputable casino company to get regulators to approve the project.

"Everybody talks about the Rosemont license," Stephens said. "It was the Emerald license that was being applied for in the village of Rosemont. . . . I'm a little tired of the village getting beat up over this."

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METRO

Gambling critic to lunch with Rosemont mayor

BY CHRIS FUSCO
SUBURBAN REPORTER

Rosemont Mayor Donald E. Stephens plans to have lunch today with a well-known gambling critic—the latest oddity in his northwest suburb's casino quest.

Stephens doesn't plan to try to convince the Rev. Tom Grey to support gambling. Instead, he said he wants to clear the air about statements Grey has made, linking Rosemont, and himself, to organized crime.

"It's time these things were explained and clarified," Stephens said. "When Rosemont was incorporated, it's very true—there were houses of ill repute, gambling and other bad things. All those things did exist here, and I kicked them out."

"You can go into Rosemont today and try to find something that's crooked here. You can't because they don't exist."

Grey, a United Methodist minister who heads the National Coalition Against Legalized Gambling, was surprised Stephens called him. He plans to give the mayor a copy of his church's Social Principles, which

call gambling "a menace to society."

Grey says he looks forward to hearing Stephens out, but he doubts he'll be convinced Stephens' past is squeaky clean. He also might ask about Rosemont's recent decision to hire former U.S. Attorney Dan K. Webb.

Webb, now a partner with Winston & Strawn in Chicago, pursued criminal charges against Stephens in the early 1980s, accus-

ing him of lying on his income taxes and getting kickbacks through secret ownership in a land deal. Stephens was cleared on all charges.

Webb is being retained "to protect the interests of the village" should the Illinois Gaming Board take action that could move the casino out of Rosemont, Stephens said.

The board in January rejected Emerald Casino's plan to run a casino in Rosemont and yanked its gambling license. Emerald is appealing both decisions.

Grey expects Stephens to pick up the tab for lunch. "I've never turned down a free meal, and I will eat as good as I can," Grey said. "I'm not going to become the chaplain of Rosemont if he offered it to me."



Donald Stephens

Official wants crime



Tom Grey

Comments explained

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Chicago Tribune
metro West(Indicate page, name of
newspaper, city and state.)

Taking sin from strip an ongoing challenge

Community targets Mannheim Road's adult businesses

By Diana Strzalka
TRIBUNE STAFF WRITER

On a warm day in July 1982, De-
lia DeFlorio led thousands of pro-
testers in a rally against the sex-
oriented businesses near her
home, stopping traffic for hours
on Mannheim Road between Ar-
mitage and Grand Avenues.

The community's tactic was ef-
fective, she said, in getting the at-
tention it needed to clean up the
"sin strip," as the commercial
district south of O'Hare Interna-
tional Airport came to be known
because of dozens of adult-orient-
ed businesses.

The campaign pressured the
county to begin aggressively en-
forcing its zoning laws and most
of the controversial businesses
moved or closed.

But while much improvement
was made over the years, resi-
dents say the unincorporated ar-
ea in Leyden Township never
completely shook off its reputa-
tion.

Now a new generation of par-
ents and school officials has tak-
en up the fight, aided by DeFlorio,
66, who these days is known as
Grandma Dee by pupils at Scott
School, where she works in the
cafeteria. They are working to
shut down two businesses—
Mannheim Adult Video and Book
Store, at 2019 N. Mannheim Rd.,
and the Cherry Club, at 2201 N.
Mannheim Rd.—which have
managed to remain open for
years despite the county's claims
the enterprises are violating zon-
ing laws.

In unincorporated Cook Coun-
ty, adult-oriented businesses are
only allowed in areas zoned in-
dustrial.

They are prohibited from com-

mercial and residential areas
near homes and schools where
they may have an "adverse ef-
fect" and "contribute to the
blighting or downgrading of the
surrounding neighborhood," ac-
cording to the county's zoning or-
dinance.

Both the video store and the
Cherry Club are located in areas
zoned commercial.

Yet despite efforts to sanction
the businesses and shut them
down, they have remained open.

Though both have been fined or
cited for various violations, judg-
es have refused to order them
closed. The situation has been
complicated by appeals and state
Supreme Court rulings that have
restricted the ability of local gov-
ernments to dictate where adult-
oriented businesses can locate.

"We're trying our best to close
these operations down and honor
the community's wishes," said
John Gorman, a spokesman for
the Cook County state's attor-
ney's office.

In the last five years, police
have arrested more than 300 men
for soliciting undercover officers
for sex on Mannheim Road. And
local residents—men and wom-
en—say they continue to be prop-
ositioned by prostitutes or pa-
trons seeking prostitutes while
they wait at the bus stop or shop
in local grocery stores, said Pen-
ny Mateck, spokeswoman for the
Cook County sheriff's office.

Residents became so incensed
at what they say is the failure by
local officials to shut down the
businesses that last week they
held a community meeting with
county, township and state offi-
cials, urging them to take some
action.

"These businesses should not
be in a neighborhood where you
have children walking to and
from school," said Veronica Pa-
gor, Scott School PTA president.

The county's battle against the

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an ongoing challenge

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SEE STRIP, PAGE 4

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Mannheim Adult Video and Book Store began in 1988, when the county first sued the business claiming it was operating illegally in the commercially zoned area, said Michael Null, the store's attorney.

Null has so far been able to fend off the legal assaults with arguments that the county's zoning ordinance is unfairly prohibitive because it restricts his client to industrial areas of which there are few in unincorporated Cook County.

"There are at best, empty pieces of land," but those sites are not readily available for a small business to lease, he said.

Null is also fighting the county in federal court with a claim that efforts to force the store to close or relocate would violate the 1st Amendment rights to free speech.

Additionally, the Cook County state's attorney in October asked a state judge to impose restrictions on Mannheim Video, Gorman said. A judge is expected to decide March 15 whether the business will be required to remove the doors on booths that customers use to view erotic films and require that lights be on inside the viewing areas.

The Cherry Club, which features exotic dancers, first opened in 1993. But within a year, officials began taking action against the club. The Illinois Liquor Control Commission revoked its liquor license for alleged prostitution and problems with business filings, said John Stanton, the commission's attorney.

Then in 1995, the county took the club to court, alleging that while the business claimed it was offering live entertainment—which is allowed in commercial areas—it was in fact operating as an adult-oriented business.

Injunctions were subsequently issued restricting the activities allowed in the club, including prohibiting any contact between customers and dancers.

But the court refused to close the club. And the Cherry Club has gotten around the loss of its liquor li-

stepson, Don Hicks, said he met Pierce in 1979, when Hicks started working as a cook at a group home that was run by his foster aunt, who also was friends with Cochran. In the late 1980s, Hicks said he arranged for Pierce to rent a room where Hicks lived, a few blocks away from Cochran's home near 102nd and State Streets. One day Pierce threatened to hit him with a board, according to Hicks, who said he grabbed another board and hit Pierce first, then asked him to leave. In 1995, Pierce showed up at his mother's house and threatened to

Emerald owners sue over denied license

*Alleged mob ties
behind gaming
board's rejection*

BY ART GOLAB
STAFF REPORTER

Attorneys for the proposed Emerald casino in Rosemont sued the state gaming board on Monday, saying it had no right to deny the casino a license to operate.

The suit says that under Illinois 1999 gambling law, the board is required to renew Emerald's license and authorize its relocation to Rosemont.

The law states Emerald "may apply to the Board for renewal and approval of relocation ... and the board shall grant the application and approval."

But in January, the board torpedoed the application, alleging mob ties and lies by company executives and a decision to start building a Rosemont casino with gaming board approval.

A hint of that decision came even earlier, when last July the gaming board voted 4-1 to adopt the position that it retained full licensing powers in spite of the language of the new law.

At the time, gaming board counsel Mariele Cusack called the law's language "ambiguous."

But Emerald attorney Michael Ficaro said he is sure the courts will give Emerald another shot at the jackpot.

"We are confident that the cir-

cuit court will quickly respond without any question that the word 'shall' means shall," he said. "We'll go forward and build our casino in Rosemont, and the state will share in the revenue which it needs."

Ficaro said if the state had acted to approve the casino two years ago, it and more than 70 suburban communities could have taken in \$200 million in taxes by now.

He also dismissed the allegations of ties to organized crime.

"What has been alleged is 1 percent out of 100 percent has some associations through relatives, brothers or uncles or cousins in relation to organized crime."

He added that any problems with Emerald stockholders should be handled separately from the licensing issue.

"Quite frankly the gaming board did not have jurisdiction to deny our license," Ficaro said. "Shall is must in legal language; shall is absolute."

A spokesman for the gaming board and the Illinois Attorney General's office, which will defend the suit, had no comment.

Meanwhile, Emerald is continuing a separate appeal of the gaming board's decision in administrative law court. It had asked Judge Herbert Holzman to disqualify himself, saying he had spoken about the case to gaming board attorneys without informing Emerald.

In a hearing Monday, Holzman said he saw no reason to disqualify himself, but he put off a final decision.

AMC

194B-CG-114999-NC-16

METRO

Emerald vows fight, offers compromise

*Casino's Rosemont
bid thwarted*

BY CHRIS FUSCO
SUBURBAN REPORTER

Emerald Casino Inc. today plans to fight back at state regulators who thwarted its Rosemont casino plans, alleging they broke their own rules in their dealings with an official they appointed to handle an appeal.

Meanwhile, Emerald's lead lawyer for the first time is saying the company would consider a compromise to end the casino fight.

"Emerald has indicated to the gaming board that it is willing to consider a settlement that is in the best interests of its shareholders, its minority shareholders and the State of Illinois," said Chicago attorney Michael Ficaro, who is representing Emerald. "Every shareholder in this corporation that I am aware of is willing to sell their shares at what they believe to be a fair price."

That offer comes in contrast to the stance Emerald CEO Kevin Flynn took in January, when the gaming board rejected his company's Rosemont plans and yanked its casino license.

At that time, Flynn vowed to appeal the board's decision so the casino could open with major investors like himself and his father, Donald, still involved. State regulators cited lies by the Flynn's, plus alleged mob ties by some casino investors and contractors, in denying Emerald. The company denies those claims.

"I don't think anyone's backing off," Ficaro said. "If a settlement is in the best interest of all our shareholders, it's the right thing to do. Is a long, three-year or five-year fight appropriate? Hundreds of millions of tax dollars already have been lost."

Illinois Gaming Board officials could not be reached for comment late Thursday.

During a hearing this morning, Ficaro plans to attempt to disqualify Herbert L. Holzman as the administrative law judge overseeing Emerald's appeals of the board's January decisions. He claims Holzman has been communicating with state regulators about those matters, which is against gaming board rules.

Ficaro also claims Holzman cannot preside over Emerald's appeal of the Rosemont rejection in addition to its appeal of its license revocation.

24 Wednesday, May 30, 2001

Chicago Sun-Times

Emerald lobbies Gaming Board for approval of \$5 million loan

BY CHRIS FUSCO
SUBURBAN REPORTER

Caught up in a costly legal fight to salvage its plan for a casino in Rosemont, Emerald Casino Inc. executives will ask the Illinois Gaming Board today to let an investor lend the company as much as \$5 million.

"Emerald is not out of money," Kevin Flynn, Emerald chief executive, said Tuesday. "We're just making a corporate finance decision."

The board plans to hear the financing pitch but could wait to act until its next meeting, June 19.

The Rev. Tom Grey, who heads the National Coalition Against Legalized Gambling, said the board

has no choice but to deny Emerald credit as long as its operating license is in question. The board revoked Emerald's license in January. An appeal is pending. Grey plans to address the board today.

Grey also said regulators might take issue with Emerald's proposed creditor: former Waste Management executive Donald Flynn, Kevin Flynn's father. Kevin and Donald Flynn have been accused of lying to regulators, one reason board members voted against the company's Rosemont plans.

Emerald has filed a lawsuit that argues a 1999 law that opened Cook County to casino gambling requires the Rosemont plan be approved.

5-31-2001

REGION & STATE

Emerald needs more cash

Casino company asks panel to OK \$5 million loan

By Douglas Holt
Tribune Staff Writer

The battle-scarred Emerald Casino company—deeply in debt, struggling to retain its casino license and in need of a \$5 million line of credit—ran into a series of skeptical questions from Illinois Gaming Board members Wednesday.

Board members questioned why they should approve further debt for a casino company that hasn't had an operating riverboat since 1997, posts a negative net worth and whose principals were found unfit to operate

a casino this year.

The line of credit would come from the company's principal owner, former Waste Management executive Donald Flynn, one of the investors deemed unsuitable as a casino owner for making false and misleading statements to the board as the company sought approval to operate a casino in Rosemont.

"It appears from the financial statements ... that they're insolvent," said board member Ira Rogal shortly after a meeting during which he led questioning about the \$5 million loan proposal.

Emerald Casino's lawyer, Michael Ficaro, said after the meeting that the company retains a license potentially worth hundreds of millions of dollars. But the Gaming Board has revoked that license, an action be-

ing challenged by the company in court and under review by an administrative law judge.

"Could we be producing more revenue than anyone else?" Ficaro said. "Yes. Do we have a license? Yes. Who's stopping us from using it? The Gaming Board."

In 1999 dozens of new shareholders paid \$1.5 million for a 1 percent stake in Emerald, a company that had operated a failed casino near Galena but won legislative approval to move to Rosemont.

According to financial statements filed with the board, the company has burned through that cash and was \$2.2 million in the red at the end of last year, Rogal said. Additionally, the company is carrying more than \$22 million in notes, another form of debt, he said.

"How are you going to pay it back when you don't have any operations?" Rogal asked company President Kevin Larson.

Larson replied, "The expectation, or the hope, I guess would be more appropriate, is the company would be able to procure the funds perhaps through operating a casino."

A board decision on the loan proposal could come as soon as next month.

On another matter, a top official of Argosy Gaming Co. said he expects the company to close on a \$465 million deal in June or July to buy the Joliet Empress Casino, pending approval of the board. Jack Binion, the casino's owner, was forced to sell when a Gaming Board investigation concluded that questionable business deals had made him unsuitable to operate in Illinois.

194B-CG-114999-NC-18

Gaming board questions Emerald loan request

Associated Press

Emerald Casino officials want to borrow \$5 million to continue their fight for a state license in Rosemont, but gaming board members on Wednesday questioned how the debt-ridden company could repay that loan when it doesn't have an operating riverboat casino.

Emerald is battling the gaming board's decision earlier this year that denied the company permission to move its license from a shuttered casino in East Dubuque to Rosemont.

Emerald shareholder Donald Flynn hopes to extend a line of credit of up

to \$5 million to the company for "administrative expenses," including the cost of legal action against the gaming board over the license, said Kevin Larson, the company's president. In a regulatory twist, the gaming board must approve any such credit plan.

"If we approve this line of credit, how are you going to pay it back if you don't have any operations?" said board member Ira Rogal.

Rogal, an accountant, said Emerald has \$22 million in outstanding debt and hasn't operated a casino since 1997, when the company — then operating as H.P. Inc. — shut down its

Silver Eagle casino in East Dubuque. The company also was operating in the red by \$2.2 million at the end of 2000, Rogal said.

"Somebody could say that they're bankrupt," Rogal said after the meeting, noting the company's liabilities exceed its assets.

But Emerald attorney Mike Ficaro said the company still holds its riverboat license while it battles the board's decision, and the value of that license far outweighs any debt the company might have.

"There are people out there right now willing to pay us hundreds of

millions of dollars for that license," Ficaro said. "Do we have any cash flow into Emerald? No. But we don't have any cash flow because the gaming board improperly has not renewed our license."

Emerald filed a lawsuit last week alleging that the gaming board violated state law by denying the Rosemont license. The 1999 law, which also allowed dockside gambling, said the board "shall grant" the license to Emerald, according to the lawsuit.

Board members denied the license in January, saying that key officials lied to investigators and that some in-

vestors had "insidious" ties to organized crime.

Emerald also is arguing its case before an administrative law judge, a lawyer hired by the gaming board to settle disputes over board decisions.

Rogal, meanwhile, said after the meeting that he would not step down despite an anti-casino activist's call for his resignation.

Anita Bedell, executive director of the Illinois Church Action on Alcohol Problems, said it was of "grave concern" that Rogal's lobbying firm represented gambling interests in the past. Rogal, nominated by Gov.

George Ryan last month, has yet to be confirmed by the state Senate.

Board Chairman Gregory Jones called Rogal an "invaluable resource" for the other members.

"I think he's done an outstanding job," Jones said.

Also Wednesday, the board approved a draft of new rules that would allow compulsive gamblers to bar themselves from all Illinois riverboat casinos. The rules are based on similar state policies in Missouri and Iowa. The board will not take a final vote on the rules until after the public has a chance to comment.

High court weighs public hearing rules in suit over Meijer

BY JOHN S. SHARP
Daily Herald Staff Writer

tional forum and that participants were never promised a full-fledged debate

Safety board arrives to study plane crash that killed three

BY BILL O'BRIEN
Daily Herald Staff Writer



A National Transportation Safety Board investigator was on the scene Wednesday of a small plane crash in Missouri, looking for clues to the cause of the accident that took the life of three Northwest suburban residents.

The investigator, Andrew Todd Fox of the West Chicago office of the safety board, arrived on the scene Tuesday afternoon. Arriving Wednesday

coming, the engine manufacturer.

The 1961 Piper Comanche crashed Monday shortly after takeoff in Lake of the Ozarks State Park. Killed were Kent Arendt of Schaumburg, Cindy Casper of Carol Stream and Sylvia Ordenez of Elgin.

"They're starting with the in-depth part of the investigation, examining the aircraft, examining the engine, things like that," said John Brannen, an air safety investigator. "There is no news yet as to how that is going."

The investigation, however, is

In fact, investigators have been able to reach the scene only by hiking or on horseback, according to authorities in Osage Beach, Mo.

Intermittent rain showers also were hampering the investigation Wednesday, Brannen said.

A preliminary report on the investigation is due in about a week. Such a report would include the circumstances of the crash. The complete factual report, which details possible causes, won't be available for six months, Brannen said.

Information from the families on

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job in sports management. Giuliani, 57, and Hanover, 51, are in the midst of a bitter public divorce. They live on opposite sides of Gracie Mansion.

Clinton was in London on Tuesday when his spokeswoman, Julia Payne, announced that he had canceled a trip to Japan to attend the funeral.

Clinton and his wife, Sen. Hillary Clinton, flew to Little Rock and went directly to Sen. Clinton's mother's

been friends since they were old in Hot Springs.

Past revisits Teamsters in Las Vegas

By Steven Greenhouse

New York Times News Service

10/26/01
LAS VEGAS—Las Vegas and the Teamsters go way back.

The Mafia helped build some of the city's original casinos in the 1950s with the help of hundreds of millions of dollars in sweetheart loans from the Teamsters Central States Pension Fund. One former Teamsters president was convicted of conspiring to bribe a U.S. senator from Nevada.

So as more than 4,000 Teamsters packed the convention hall Monday at the lavish Paris Casino to begin their 26th International Convention, there were a lot of uneasy quips.

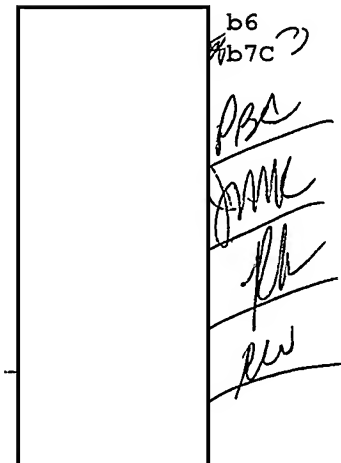
Holding the convention in Las Vegas is shining a light not just on Teamsters' corrupt past, but also on a new and highly embarrassing accusation of corruption involving a top aide to James Hoffa, the Teamsters president, who has vowed to rid the union of corruption.

The top investigator for a government oversight board filed internal union charges last month alleging that Dane Passo, a top Hoffa aide, and William Hogan Jr., the leader of the Teamsters in Chicago, masterminded a scandal much like those of Las Vegas past.

The investigator accused the two of negotiating a deal that undercut Teamsters members in Las Vegas by giving jobs to hundreds of non-union workers to set up and take down conventions here. The investigator further accused the two of agreeing to let a Chicago-based employment agency, United Services Cos., provide the non-union workers and pay them about half the \$20 an hour, with benefits, that union workers were receiving under their contract.

A top executive at United Services is Hogan's brother. Hoffa had dispatched Passo to Las Vegas to help oversee the union's operations here.

The accusations in the report could lead to the expulsion of Passo and Hogan from the union. The two officials and United Services have denied any wrongdoing, and Hoffa's aides say he had no knowledge of any wrongdoing.



194B-CG-114999-NC-20

CHICAGO TRIBUNE
7-12-2001

Stephens attacks claims of mob link

Allegations irk Rosemont mayor

By Michael Higgins
Tribune staff reporter

Hoping that a recently shuffled Illinois Gaming Board will help him land a casino in Rosemont, Mayor Donald Stephens lashed out Wednesday at the "private" anti-crime group that has accused him of having relationships with associates of organized crime.

Stephens said the Chicago Crime Commission's chief investigator, Wayne Johnson, was reckless and unfair in January when he named several people he said were associates of organized crime and said they had been friends or business partners of Stephens. "I consider Mr. Johnson a pathetic, misguided individual," Stephens said after a meeting of the Rosemont Village Board. "I am so sick of reading this garbage. . . . If he's the chief investigator, come to Rosemont and show me the organized crime."

Stephens said he was irked by a profile of Johnson in the July issue of Esquire magazine that reiterated allegations Johnson made against Stephens and the village before the gaming board in January.

Stephens complained that Johnson characterized people as associates of organized crime when they had not been convicted of any crime. He said the commission based its characterizations on tenuous business links and was unfair to people who might have had a relative who was involved in organized crime.

Thomas Kirkpatrick, president of the Chicago Crime Commission, said the group does not make allegations without supporting information from law enforcement groups.

"We agree that you don't paint people guilty just by association or relation," he said.

Kirkpatrick said some people named in the group's mob organizational charts have threatened to sue but they almost never file and he was not aware of anyone who had won a lawsuit against the commission.

Stephens said an attempt by Nevada authorities to put

PLEASE SEE STEPHENS, PAGE 6

Tribune photo by Phil Greer
day for traces of two missing sisters.



Tribune photo by Carl Wagner
ers fill the lobby of the girls' building.

he brick had seen any sort of fire at the Shington residence. He answered, he said, and had not, Matthews said.

Investigators stressed that activity at the search of the property is tight. The only one of many avenues being pursued in the disappearance of Tionda Bradley, 10, and

Mat, her sister Diamond, 13, and Police sitting said Wednesday there are no suspects in the case. Friday, am. If he PLEASE SEE MISSING, PAGE 6

tract killing

ro other Kilner, in a telephone interview from Death Row at Pontiac Correctional Center, said he could be pleased with the ruling.

"I want the testing. I want to go home," he said. "And by the way, the same token, whose hair is it? I'd like to know."

Kilner has lost several appeals. It can be said. PLEASE SEE DNA, PAGE 6

cident records for Six Flags ride

the wall and the movable floor on the ride. Great American's sued a statement at the time acknowledging that a girl "had her toes pinched."

Kati's parents filed suit last fall, seeking compensatory and punitive damages. Those records have not yet been determined, Bruce said.

"If this machine is dangerous in one location, then it's dangerous in all locations," said Bruce, who requested the records of all documents in Lake County Circuit Court Tuesday.

Known as the Cajun Cliffhanger at Great America, the ride was made by Chance Rides Inc. of Wichita, Kan., as records for the Rotor, its trade name. Rides are held against the wall of the spinning machine.

INSIDE

TRANSPORTATION New tags hit streets

First of 8.5 million redesigned license plates issued. PAGE 3

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CHICAGO TRIBUNE
7-12-2001

STEPHENS: Suburb mayor defends his associations

CONTINUED FROM PAGE 1

Sam Cecola of Barrington on that state's blacklist was falling apart because information from Johnson had proved unreliable. Officials at the Nevada attorney general's office who are taking the action could not be reached for comment. Johnson said his information had not caused any problems in the case.

Kirkpatrick said he thought Stephens was trying to promote his version of the facts to the two new members of the five-member gaming board who will attend their first meeting this month.

In January, the board voted 4-1 to block the plans of Emerald Casino Inc. to build a casino in Rosemont. The board cited what it said were false statements made by company executives and ties between two investors and organized crime.

Since the vote, Gov. George Ryan has appointed three new members to the board. Ira Rogal was appointed in April to replace a member who voted in favor of a Rosemont casino. Recently appointed real estate developer Elzie Higginbottom and Robert Mariano, former Dominick's Supermarkets chief executive officer, will attend their first gaming board meeting this month. They replaced two members who had voted against Emerald Casino.

A majority of the board members said they didn't base their decision on any misgivings about Rosemont.

But board administrator Sergio Acosta warned about organized crime elements "associated with this proposed project."

Stephens said Wednesday that Acosta had been parroting information from the crime commission. A board spokesman declined to comment.

Stephens gave a wide-ranging defense of his past business dealings, including a former stake in a trade-show forklift rental company called American Trade Show Services.

One of his former partners in that company, William Daddano Jr., is listed on the Chicago

Crime Commission's mob organization chart. Another former partner, Nicholas Boscarino, was one of the Emerald Casino investors who gaming board investigators identified as having mob ties. Boscarino, who owns his interest through a family trust, could not be reached for comment.

Stephens said Daddano was being punished by the crime commission for the misdeeds of his father, William "Potatoes" Daddano Sr.

"I hardly know Mr. Daddano [Jr.]," Stephens said. "He owned stock in the same company I did. If Mr. Daddano did something wrong, I will repudiate Mr. Daddano."

"Mr. Boscarino's big crime is being in a union," Stephens said, adding that Boscarino's father was killed in an organized crime hit when Boscarino was a youth.

Stephens also had drawn criticism because D&P Construction, a Northwest Side firm with known mob ties, had contributed to a campaign fund he controls.



Stephens said he had donated those contributions to charity.

D&P also did \$16,550 worth of work in Rosemont last year. Village Atty. Peter Rosenthal said the village's public works department hired D&P without Stephens' knowledge. Earlier this year, Stephens ordered all village departments not to hire D&P, spokesman Gary Mack said.

D&P is owned by the wife of Peter M. DiFronzo, who in 1998 was forced out of Teamsters Local 731. The FBI considers Peter DiFronzo to be "the chief lieutenant for his brother, John DiFronzo, the... boss of the Chicago [La Cosa Nostra]" according to a 1998 report by federal investigators.

The crime commission also criticized Stephens' relationship with Anthony "Jeeps" Daddino, a longtime friend whom federal prosecutors describe as a well-established mob associate imprisoned as recently as 1999 for refusing to testify before a federal grand jury in exchange for immunity.

Stephens once wrote a federal judge pleading for leniency for Daddino, then a Rosemont building inspector, after Daddino was convicted of collecting protection money for the mob.

GLITCH: FAA awa reports fi phone fir

CONTINUED FROM PAGE

where controllers had communications.

The FAA reported that planes failed to maintain required separation. At controllers, they were vertical feet apart and 4 miles apart late approaching one another at a speed of more than 100 m.p.h.

"For us as air traffic controllers, it is inexcusable," Wishowski, a representative of the National Air Traffic Controllers Association, said. "It's a hell of a thing, watching two planes whiff each other."

Air traffic controllers at Aurora were able to alert the two planes by having

DNA: Prosecutors argue sample is irrelevant

CONTINUED FROM PAGE

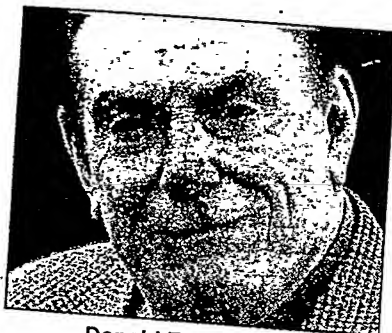
peals since his conviction for first-degree murder.

Two other men were convicted with Kliner. Michaelian, a former Chicago fighter, was sentenced to 15 years in prison for his role in the Rinaldi, the victim's band, was sentenced to 15 years after pleading guilty. Permanian and Kliner were sentenced to 15 years after his 28-year-old wife provided testimony against two.

Kliner's appeal is part on the fact that DNA technology has become available since the trial. The defense compared for similar DNA with a microsample found to be dissimilar to the hair of both Kliner and Rinaldi.

Assistant State's Attorney Aguirre argued that the hair sample was irrelevant.

194B-CG-114999-NC



Donald E. Stephens
Town seeks casino

ER Stephens says he doesn't know 'No Nose'

*Rosemont mayor rips
Crime Commission
chief over mob rumors*

By CHRIS FUSCO
SUBURBAN REPORTER

Rosemont Mayor Donald E. Stephens went after the Chicago Crime Commission's chief investigator Wednesday, accusing him of grossly overstating the mayor's links to the mob and tainting the casino-seeking suburb's good name.

Stephens acknowledged buying property from a nephew of a Chicago mob boss 40 years ago and twice meeting the Outfit's current reputed leader, John "No Nose" DiFronzo. But he also took credit for ridding his community of prostitution and cigarette machine companies and a liquor store tied to the mob.

"Rosemont neither condones nor tolerates criminal activity, especially organized crime activity," Stephens said to reporters after a village board meeting.

Turn to Page 2

CHICAGO SUN-TIMES

7-12-2001

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Mob

Continued from Previous Page

Trustees watched the impromptu news conference.

The subject of Stephens' ire, investigator Wayne A. Johnson, denied spreading what Stephens called misguided "opinions and innuendoes." Johnson has provided information about Stephens to the Illinois Gaming Board as part of its review of the proposed Emerald Casino in Rosemont.

Johnson said he never has painted Stephens as a mobster.

"I listed people he has known and has associated with," Johnson said, "but we have never put him on a chart listing him as an associate of organized crime."

Stephens denied knowing Sam Giancana, a reputed Chicago mob boss who was slain in 1975, but admitted to buying a hotel-motel from Giancana's nephew nearly 40 years ago.

"Buying that property from



John DiFronzo
Met Stephens

Giancana, this is what has tainted the minds of the news media and perhaps some police agencies," Stephens said.

Stephens recalled paying \$500,000 for the land in the 1960s and selling it for \$6 million in the mid-1980s. "But I didn't get any of the money from the hoods," he



Sam Giancana
Kin sold motel

said.

As for DiFronzo, Stephens did meet him "one time, two times," with one meeting coming at a funeral.

"I've been mayor for 46 years," Stephens said. "I wouldn't talk business with him."

Stephens commended Gaming

Board members for not buying into the mob talk, but he criticized Sergio Acosta, the board's administrator.

"Even the [Gaming Board] chairman [Greg Jones] said this is not an aspersion on Don Stephens," Stephens said. "The only one that aped Mr. Johnson's comments was Mr. Acosta." Acosta declined to comment.

The Gaming Board in late January denied Emerald Casino an operating license. The board cited lies by two key casino investors and mob links by two other investors as major factors in that decision.

Stephens said he believes that Emerald is working out a deal to sell the shares of questionable investors to a reputable gambling company. He said he hopes that move would spur the Gaming Board to approve the project.

The board will be much different when it next meets. Three of the five members involved in the decision in January have been replaced, and two will be attending their first meeting July 24.

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Stephens a character in a league of his own

Rosemont mayor's tenure marked by sweetheart deals and alleged mob ties

There is no other town in Illinois like Rosemont, and there is no other mayor like Don Stephens.

I was reminded of that immediately Tuesday as I arrived at Rosemont village hall, which is housed in a commercial office building owned by the village.

On the first floor is a sports bar that rents space from the village. On the second floor is the village board meeting room. The penthouse is occupied by Bomark, a company operated by the mayor's son that receives millions of dollars in cleaning and parking contracts from the village.

If there is another entrepreneurial local government with a similar setup, let us know about it. We get tired of Rosemont stories, too.

But it took no arm-twisting to get me to Wednesday's Rosemont village board meeting. The word was out: Stephens had something to get off his chest.

After months of taking hits about whether he and his community are fit to host a riverboat casino because of allegations of organized crime influence, the mayor was looking to take the offensive.

That sounded like fun, especially since I joined the fray last week by opining that Rosemont should not get a casino under any circumstances. In the process, I referred to Stephens as a "scoundrel," a vague enough insult that I received a phone message from the mayor afterward asking what a scoundrel is.

That was still on his mind as the village board wrapped up its brief business meeting,

setting the stage for Stephens to hold court. He smiled as he asked me again what I'd meant by calling him a scoundrel.

I told him that it had been suggested I advise him to look it up in a dictionary, where he would probably find his picture. That was probably more insolent than necessary, but I was smiling, too. Stephens laughed it off.

He's been called worse, of course, which was the point of the conversation we were all going to have. But it took him the longest time to get into it, even after other reporters started asking him about the casino license.



Mark
BROWN

And then in mid-sentence, he launched into a prepared statement attacking the Chicago Crime Commission and its chief investigator, Wayne Johnson, and Sergio Acosta, the administrator of the Illinois Gaming Board, who he said had "parroted" Johnson's accusations of mob associations.

What followed was a free-wheeling Q&A in which Stephens covered everything from his contacts with the mob (limited and innocent in his judgment) to his opinion of my column photo ("You know, you're a much better looking guy than your picture. I don't mean that patronizingly.") to his reasons for endorsing Gov. Ryan for re-election.

Let's start by recounting his Ryan comments, because that will tell you more about Stephens than anything else you'll read here.

"By the way, I also endorse George Ryan," he blurted out. "When I got my driver's license when I was 16 years old, I put some money on the seat. That's how I got my driver's license. George Ryan was not the governor then. Most of these people that have been convicted were 24-year veterans of the secretary of state's office. George Ryan wasn't even secretary of state when they were hired. He didn't hire them."

Yes, the 73-year-old Stephens has been working the system for a long time. He's got-

ten quite rich and powerful in the process and provided quite well for his family and friends, too.

I'm not accusing him of committing any crime. Federal prosecutors tried that twice and juries ruled otherwise. The fact is that nobody has ever quite got the goods on Stephens, although there have been a lot of enlightening news stories over the years about the brazen ways he does business.

Maybe I'll recount those in a future column, but I accepted a Krispy Kreme doughnut from the mayor as a gratuity, and it has served the intended effect of momentarily softening me up.

Stephens thinks all the interest in him from law enforcement agencies traces back to the fact that he bought a motel from the nephew of mob boss Sam "Momo" Giancana in 1963. It probably didn't help that the syndicate chieftain held the mortgage.

But the mayor has given investigators plenty of other matters to probe over his 45 years in office, and his knowledge of mobsters may be the least of it.

Stephens said he was asked all about his alleged mob associations in a deposition for the Gaming Board. They wanted to know if he'd ever met with John "No Nose" DiFronzo and Joey "The Clown" Lombardo.

"I did meet one time, two times, I met John DiFronzo," Stephens said. "I've been mayor for 46 years. So I made a mistake. One was a funeral. I made a mistake. I admitted it to them. I should have said I don't know him because I really don't. But I was honest."

To clear up any confusion, the "mistake" to which he is referring is that he told the truth.

Stephens thinks he would be more properly portrayed as the man who drove the mob out of Rosemont, who made it a place where Fortune 500 companies are headquartered and where the biggest hotel chains in the world have been eager to locate.

That's never going to happen.

E-mail: markbrown@suntimes.com.

Judge faults evidence, clears ex-labor boss on 4 of 11 counts

By Matt O'Connor
Tribune staff reporter

In a blow to the government as the trial of a former union boss nears an end, a federal judge Monday acquitted John Serpico on four of 11 counts, calling the prosecution evidence too weak to go to the jury for a verdict.

The ruling by U.S. District Judge Blanche Manning in effect dismisses racketeering, conspiracy, bank fraud and false statement charges against Serpico on the eve of closing arguments scheduled for Wednesday.

Serpico, who formerly headed Central States Joint Board, a Chicago-based labor organization, still faces prison if he is convicted on the remaining seven counts of mail fraud.

The heart of the case against Serpico also remains intact. He

is charged with using his influence to deposit about \$20 million in union funds with several small community banks in return for receiving \$5 million in personal loans he and associates received at favorable rates. He is also accused of taking kickbacks in return for lining up a \$6.5 million loan for a hotel project in Champaign.

With the trial at a sensitive stage, lawyers for the government and Serpico declined to comment on the judge's ruling.

Serpico, 70, of Lincolnwood also formerly held the politically connected post of chairman of the Illinois International Port District, though the charges don't relate to those duties.

Manning also acquitted co-defendant, Maria Busillo, on three of six counts but rejected attempts by a third defendant, Gilbert Cataldo, to get any of the

three mail fraud counts he faces dismissed.

Manning found the evidence insufficient to prove Serpico guilty of bank fraud and making false statements on a bank loan application.

On the bank fraud count, Manning ruled that the government failed to prove a \$100,000 cash payment made by Busillo on a house in Glenview came from the hotel kickback scheme.

The dismissal of the bank fraud count had repercussions on the racketeering and conspiracy charges facing Serpico.

That cut the statute of limitations on the racketeering and conspiracy charges in half, to five years, and none of the charged conduct occurred within that time limit, forcing the judge to throw out those two counts as well.

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5-168

Ryan defends replacing Gaming Board members

BY NICOLE ZIEGLER DIZON

Gov. Ryan said Tuesday he never discussed a proposed Rosemont casino with the Illinois Gaming Board's two newest members, nor will he try to influence their votes on any gambling matters.

"The two folks I have nominated are excellent people," Ryan said. "They'll do a great job. I gave them no directions, no instructions. They're there to do what's right, and I'm sure they will."

The governor has been under fire from gambling critics since he announced late last month that he had replaced Gaming Board members Mac Ryder and Staci Yandle. Both voted against letting Emerald Casino Inc. move its riverboat license from a shuttered boat in East Dubuque to Rosemont.

Ryder and Yandle had asked the governor to reappoint them when their terms expired this month. Instead, he replaced them with two Chicago-area businessmen, real-estate developer Elzie L. Higginbottom and former Dominick's Finer Foods chief executive officer Rob-

ert A. Mariano.

Both Higginbottom and Mariano have ties to Mayor Daley. Several Daley allies have invested in the Emerald project.

In Downstate Bourbonnais on Tuesday, Ryan said he chose the two men partly because the board lacked members with business experience. Before the switch, all five board members were lawyers.

Tom Grey of Rockford, executive director of the National Coalition Against Gambling, said if Ryan wanted fresh perspectives, he could have chosen from the ethicists and experts he and other anti-gambling groups had recommended.

"If I take him at his word, I find that it falls far short of what would be a satisfactory answer," Grey said.

Ryan said he has kept his opinion on the Rosemont deal to himself so the board can make its own decision. "I haven't put any input into it privately, nor will I publicly," Ryan said.

Grey said the fact Ryan ousted two board members who voted against Emerald shows their successors how he wants them to vote.

Associated Press

June

194B-CG-114999-NC-24

(Mount Clipping in Space Below)

EDITORIALS

Ryan packs the gaming board

Leprechauns pull many of their tricks in the dark of night, when no one is watching. Politicians pull theirs late on busy Fridays, when news outlets are preoccupied with breaking news like, say, a mayor's complex proposal to overhaul a world-class airport.

Gov. George Ryan can play the late-Friday stunt to perfection. With Mayor Richard Daley's O'Hare International Airport plan sure to dominate local news into the weekend, Ryan slyly dumped two respected Illinois Gaming Board members who helped defeat a Rosemont casino proposal reeking of politics and alleged mob ties.

Within certain bounds, Ryan is entitled to name whom he wishes to the gaming board. No law forces him to retain independent-minded members such as Sterling "Mac" Ryder and Staci Yandle, who refused to be rubber stamps for the gambling industry. But if the three new members Ryan has named in recent months now reverse the board's earlier decision, or otherwise give organized crime a foothold in a casino, Ryan and a lot of his fellow Republicans could pay a terrible price.

Many voters—Republicans included—are fed up with Ryan and the corruption that suffused the Illinois secretary of state's office when he ran it. Federal authorities haven't finished peeling back the layers of that scandal, about which Ryan says he knew nothing. Why Ryan now would invite more public scrutiny by dismantling the gaming board when a case with organized crime implications is alive is a mystery. But if his actions mean the fix is now in for this casino deal, count on Democrats to hang that bla-

(Indicate page, name of
Newspaper, city and state)
Pg. 14 Sec. 1
Tribune
Chicago, IL

Date: 07/03/2001
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tant chicanery around the necks of GOP candidates in 2002.

In January, the gaming board voted 4-1 to reject efforts by Emerald Casino Inc. to open a casino in Rosemont. The board's administrator said an investigation had found "the insidious presence of organized crime elements associated with this proposed project," and said officials of the politically connected Emerald had "repeatedly made false and misleading statements" to the board.

Emerald has appealed the board's rejection. Some of Emerald's well-connected investors worry that they'll lose big bucks—something they should have considered before getting in bed with partners they didn't investigate.

The danger is that a kinder, gentler gaming board will reverse the January vote, or enter into a sleazy legal settlement with Emerald. Such a settlement could permit Emerald to open the casino after all—without requiring that all of the questionable investors get out of the company.

Either outcome would violate the spirit of the gaming board's courageous January decision. The board was so dead-set against Emerald profiting from its alleged sins that it went so far as to revoke the pre-existing license that Emerald hoped to activate in Rosemont—another decision Emerald wants to overturn.

Ryan's new appointees to the gaming board—lobbyist Ira Rogal and businessmen Elzie Higginbottom and Robert Mariano—can stand firm, or cave in to pressure from forces friendly to Emerald. But if they cave, even doing so late on a Friday wouldn't shield them or Ryan from the wrath of citizens who've had a bellyful.

(Mount Clipping in Space Below)

Did Ryan load the dice for Rosemont?

Minister thinks so, but let's see what the reconfigured Gaming Board does first

The Fix is in," Tom Grey called the other day to warn me. You've heard of Grey. He's the Methodist minister who has made it his life's mission to stop the spread of legalized gambling in our country.

I respect Grey's motives and tenacity but had never considered him to be an expert on The Fix, no matter how worldly he's become while battling the dark forces of the gambling industry.

So I laughed him off and told him I wasn't ready to go that far without more evidence.

"Then prove me wrong," Grey said, a tad belligerently.

Well, I can't really do that either, I suppose.

The object of our discussion was the old switcheroo that Gov. Ryan pulled last week by replacing two members of the Illinois Gaming Board whose votes helped defeat a proposed Rosemont casino.

Grey is convinced that the new appointments are the first step in the Gaming Board reversing its ground and awarding a riverboat license for a Rosemont location.

I told Grey that, while I have similar suspicions, I've got to give the two new appointees, and even Ryan, the benefit of the doubt until we see where this is headed.

He thinks it could be too late by then, which is a valid enough concern that I'm writing this column today, before all the facts are in, just to make sure everybody knows we're paying attention.



Mark
BROWN

(Indicate page, name of Newspaper, city and state)
Pg. 2
Sun-Times
Chicago, IL

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You might have missed the news about the appointments, which just happened to be announced on the same day Mayor Daley was detailing his O'Hare expansion plan.

Out are Downstate lawyers Sterling "Mac" Ryder and Staci Yandle. Both were Ryan appointees who had been tapped to finish out their predecessor's three-year terms. Each had expressed an interest in being reappointed.

In are Chicago area businessman Elzie Higginbottom, a real estate developer and a staunch Daley ally, and Robert Mariano, the former president of Dominick's Finer Foods.

It's not really clear what makes Higginbottom and Mariano better for the board positions than Ryder and Yandle.

The governor said the newcomers will bring "fresh perspectives" and offered the strange argument that the "legislature intended for three-year terms for board members in part to bring fresh insights to the board."

If that were true, the legislature could have specified that appointees serve only one term. It didn't.

"This has nothing to do with fresh insights," Grey said. "This has to do with making the deal."

Certainly, the prospects for The Deal look a lot brighter today than a week ago, even if The Fix isn't in.

Ever since the gambling board surprised most of us in March by rejecting the Emerald Casino's proposal to operate in Rosemont, Mayor Don Stephens has been looking for ways to get his deal back on track.

He blamed the license rejection on Emerald, overlooking the board administrator's concern that "the insidious presence of organized crime elements associated with this project cannot be ignored." Some of the evidence of organized crime involvement points back to Stephens himself.

But the expectations are that the Emerald soon will be back before the board with a proposed sale to a large publicly held casino company, theoretically removing the organized crime taint. A good argument can be made that the company has nothing to sell, because the board already voted to revoke its license.

Before long, the drumbeat will start about all the tax revenue that the state is losing while the riverboat license remains unused.

So fix or not, this is a good time to speak up on a subject the Gaming Board left hazy the first time around.

There are no circumstances under which a casino should be located in Rosemont. None.

You've got to admire Don Stephens, a likable scoundrel. He's created one of Illinois' most successful communities through sheer force of will. But this is where his past has to catch up with him.

Stephens has always played by his own set of rules, using his entrepreneurial approach to government to enrich his family and friends, while they in turn have fueled his campaign coffers with the money that's made him a major political power in the state. He gets away with it because it's his town—lock, stock and Donald Stephens Convention Center.

He can't suddenly plop a halo on his head and say he deserves to get his hands on the most sensitive plum that government has to offer.

Everything in Rosemont is under Stephens' control. A casino would be no different.

The only worse choice would be to put it in Cicero, and even there, you could at least make the argument of economic development for a blighted community.

Tom Grey thinks Gov. Ryan has stacked the deck to help out Stephens.

A word to the Gaming Board: Prove him wrong.

E-mail: markbrown@suntimes.com

Vegas wants Rosemont site

Big-name firms may
take over would-be
casino in N.W. suburb

BY CHRIS FUSCO AND TIM NOVAK
STAFF REPORTERS

Two Las Vegas casino companies soon will make lucrative offers to buy out Emerald Casino and take over the company's embattled Rosemont casino site, the Sun-

Times has learned.

MGM Mirage Inc., which operates hotel-casinos in Nevada, Michigan, New York and internationally, and Park Place Entertainment Corp., the world's largest gambling company, have emerged as finalists in the bidding for the majority of Emerald's shares, company sources said Wednesday.

Bids to Emerald chief executive Kevin Flynn, his father, Donald Flynn, and other family members—who together own 52 percent of the company—could be in before the end of the month, the

sources said.

If approved, similar per-share offers would be made later to the company's 50-plus other investors. The Illinois Gaming Board in January refused to approve Emerald's plans, accusing Kevin and Donald Flynn of lying to board investigators and accusing two other investors of having mob links.

Sun-Times columnist Michael Sneed reported last week that the Flynnns would sell for more than \$300 million—potentially tripling their investment. But the Gaming Board would need to approve any

sale.

Two new Gaming Board members will be seated when the board meets Tuesday.

Gov. George Ryan appointed Chicago developer Elzie L. Higginbottom and Robert A. Mariano, former chief executive officer of Dominick's Finer Foods, last month to replace Staci Yandle and Mac Ryder, who voted against Emerald.

Black, female and other minority investors—who allowed Emerald to meet a 20 percent minority-ownership requirement—are

hoping for an MGM buyout because they like the way that company gave minority investors in a Detroit casino it owns a say in how the company operates.

A source close to the minority investors said they think that, with the new members in and the Flynnns out, the Gaming Board is likely to award Emerald the Rosemont license. "We're much better off now," that source said.

The Flynnns declined to comment. But a source close to them said they are walking away reluctantly.

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Chicago Tribune

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THURSDAY, JULY 19, 2001

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Gaming officials' ties surface

2 Ryan appointees linked to investors in proposed Rosemont casino

By Douglas Holt
and Ray Long
Tribune staff reporters

Gov. George Ryan's two new appointees to the Illinois Gaming Board have had business relationships with casino investors now pressing the board to reverse a decision blocking a new gambling barge in Rose-

mont, according to state records and interviews.

One of the new members, Robert A. Mariano, was president and chief executive officer of Dominick's Finer Foods when he personally approved the 1996 hiring of Susan Leonis as a company consultant and lobbyist, Leonis told the Tribune. Leonis, a former state official who de-

scribes herself as a "social acquaintance" of Mariano's, was one of dozens of politically connected investors offered shares in the proposed casino in 1999. The other appointee, Chicago developer Elzie L. Higginbottom, acknowledged that his East Lake Management and Development Corp. has bought what he said was a modest

amount of building supplies over the years from a firm run by Timothy Degnan, a former state senator and top aide to Mayor Richard Daley. Degnan's wife, Sandra, is also a partner in the investment syndicate seeking to open the Emerald Casino in Rosemont.

Ryan named Mariano and Higginbottom last month to re-

place two Gaming Board members who had voted in January against the Emerald Casino. Gambling critics quickly attacked the revamp as an attempt to stack the board and revive the casino, and the revelations about ties between Mariano and Higginbottom and some inves-

PLEASE SEE CASINO, BACK PAGE

ers photo by Alexander Natruskin
Vladimir Putin holds wide-open news brief-
ing in Moscow.

us in
scrap
ATO,
utin says

n McMahon
oreign correspondent

OW — Russian Presi-
vladimir Putin said
day that NATO, the U.S.-
tary alliance forged dur-
Cold War to counter the
on of the Soviet Union,
lived its usefulness and
disband or be extended
de Russia.

TO does not reach out to
Russia, Putin said, it



Fed Chairman Alan Greenspan told Congress the economic slowdown appears to be bottoming, but there was little to construe as positive in his remarks.

Tribune photo by Pete Souza

Greenspan's warning

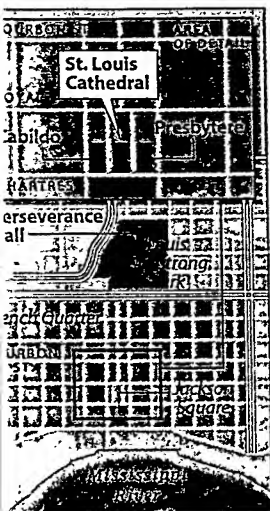
Tracking the fed funds rate

Some analysts believe the Fed could cut interest rates for a seventh

10/20/01

194B-CG-114999-NC-28

FROM PAGE ONE



Chicago Tribune

over. The pesky bugs are causing an estimated \$300 million a year in damage. State officials are seeking another \$5 million to \$6 million a year from Congress to continue the program.

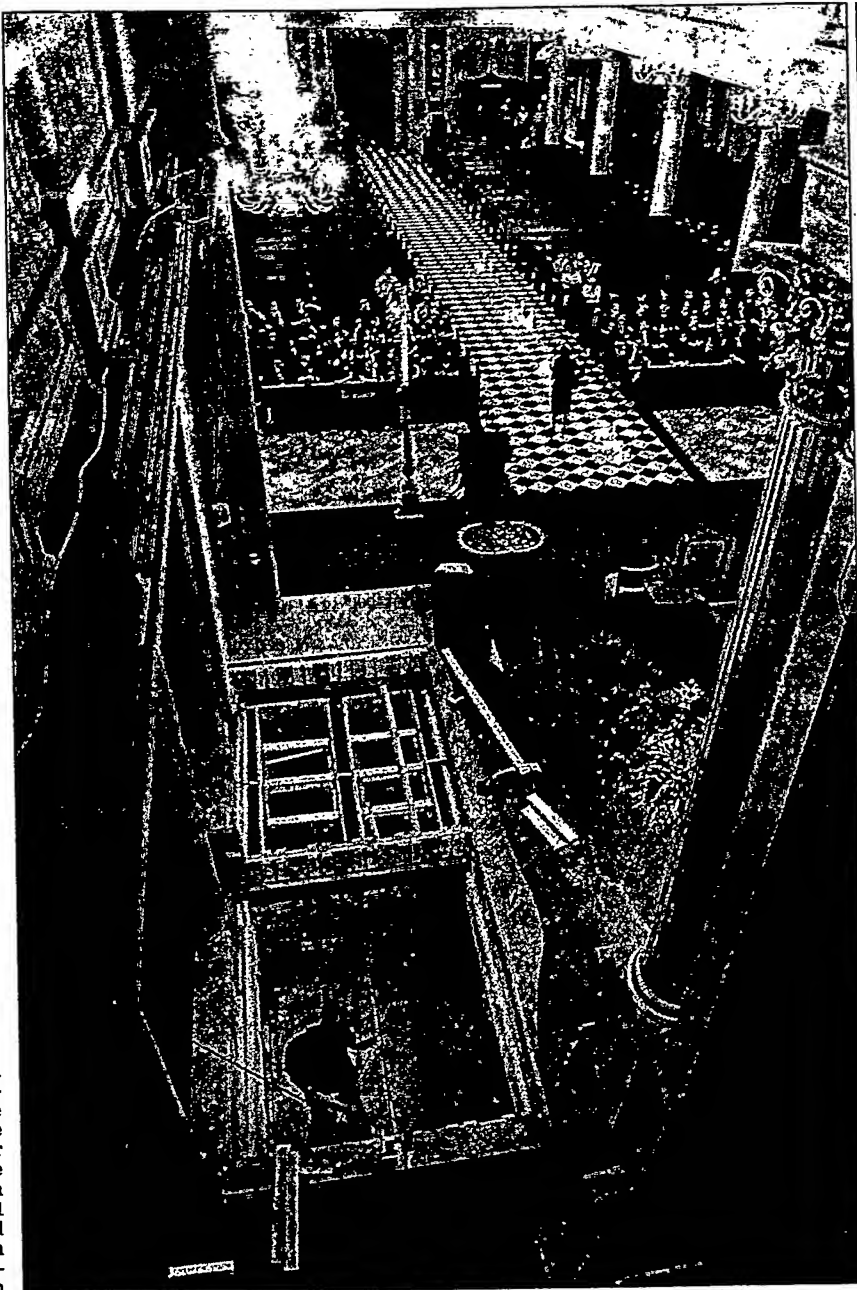
"The infestation in New Orleans is probably the heaviest in the nation, followed by Honolulu," said Alan Lax, a U.S. Department of Agriculture researcher who heads Operation Full Stop, the termite eradication project. "For years, people didn't treat termites here because the myth was that they couldn't do anything about them. So they just swarmed around. Ninety percent of them you can't see because they are underground, and they forage as far as 300 feet" below the surface.

208-year-old landmark

The menace cannot be seen from the outside of the 208-year-old structure, which wasn't the first church built on this site facing the Mississippi River and Jackson Square. The Church of St. Louis was built in 1727 and was destroyed by fire 61 years later. It was rebuilt and dedicated as a cathedral on Christmas Eve 1794. A large expansion of the cathedral began in 1849.

Termites have nibbled away at the cathedral's interior for years, honeycombing much of the woodwork in the choir loft, steeples and windowsills and causing thousands of dollars in damage.

"It was like papier-mache in the choir loft," recalled Peter Finney, a spokesman for the New Orleans Archdiocese. Five years ago, the ceiling collapsed,



Tourists visit St. Louis Cathedral, a major attraction, as a worker builds new crypts in May.

AP photo by Bill Haber

Faced with a dwindling population and a faltering economy, church officials said, the cathedral could barely keep up with the \$150,000-a-year routine maintenance costs, much less do major repairs.

"We've fixed most of it now, but there is probably a lot more that is not visible," Finney said.

gan installed. The rest of the work, including repairing the sunken floors and the decaying steeples, is under way.

More sites under attack

Meantime, the attack on the termites continues throughout the 100-block French Quarter.

An underground baiting system in which aluminum sticks

tem is considered superior to traditional pesticides that create a poison barrier around a building, he said.

On almost every street corner in the Quarter, the distinctive gas lamps have been baited with a glue card that sticks to the termites like flypaper as they are attracted by the light.

"We certainly have not erad-

CASINO:

'No conflicts of interest,' top aide says

CONTINUED FROM PAGE 1

tors only intensified suspicions. "The appearance of this one just gets worse and worse," said Rev. Tom Grey, executive director of the National Coalition Against Gambling Expansion.

Mariano, 51, who could not be reached for comment, left Dominick's in 1998 when it was sold to the Safeway supermarket chain and now manages a food service consulting firm.

Higginbottom, like Degnan a confidant of Daley's, said his firm had done not more than "\$1,000 or \$2,000 a year" in business with Glenrock Co. of Northlake, a building supplier owned by Degnan. Higginbottom said neither his dealings with Degnan nor personal relationships with several African-American investors in the Emerald Casino would affect his decision-making on the board.

Leonis, 43, who was a special assistant to former Gov. Jim Edgar before leaving state government in 1995, said she lobbied the Illinois Department of Transportation on Dominick's behalf and worked on the supermarket's charitable foundation with Mariano. She has continued to do work for Dominick's since Mariano's departure.

"I can honestly say that since he has not been the chairman of Dominick's since 1998, he and I have not talked about business period," she said, adding that Mariano should not be disqualified from voting on Emerald matters because of his past professional relationship with her. "We've talked about his kids, his family, my family. And I can also honestly say I've never spoken to him about the casino."

Neither Degnan nor his wife could be reached for comment.

Leonis and Sandra Degnan hold small investment stakes in the Emerald, but if the casino is revived, even fractional shares are expected to be worth millions of dollars.

A few weeks before the two latest board appointments, Ryan dined privately at a Rosemont restaurant with Mayor Donald Stephens, a big casino booster who has complained bitterly about the Gaming Board's rejection of the Emerald bid. But Ryan spokesman

gan installed. The rest of the work, including repairing the sunken floors and the decaying steeples, is under way.

More sites under attack

Meantime, the attack on the termites continues throughout the 100-block French Quarter.

An underground baiting system, in which aluminum disks filled with pesticide are implanted in the sidewalks, has reduced the infestation in the 15-block test area surrounding Jackson Square, Lax said.

The new baiting system uses wood laced with a low-toxicity pesticide that the bugs carry back to the colonies, thereby infecting other termites. That sys-

tem is considered superior to traditional pesticides that create a poison barrier around a building, he said.

On almost every street corner in the Quarter, the distinctive gas lamps have been baited with a glue card that sticks to the termites like flypaper as they are attracted by the light.

"We certainly have not eradicated termites in the French Quarter, but we have substantially reduced their population by greater than 50 percent, compared to outside the test area," said Lax. "That means if you had 10 million, you still have 5 million. We're going to keep testing new things until we get it right."

removed, even fractional shares are expected to be worth millions of dollars.

A few weeks before the two latest board appointments, Ryan dined privately at a Rosemont restaurant with Mayor Donald Stephens, a big casino booster who has complained bitterly about the Gaming Board's rejection of the Emerald bid. But Ryan spokesman Dennis Culloton said the casino was "not a topic of conversation to the best of my information."

Culloton rejected claims that Ryan was trying to steer the Gaming Board to reverse course on the Emerald, and he said both appointees were fully investigated by the governor's legal staff and state police to avoid possible conflicts.

"There are some out there that want to cast aspersions and trash their excellent reputations and create controversy. That is unfortunate and unfair," Culloton said. "We're quite confident there are no conflicts of interest here."

In January the board voted 4-1 to reject the Emerald's bid to open in Rosemont, contending that its top officials had lied to board investigators about the project and that some investors had ties to organized crime.

The Emerald investment group, led by former Waste Management Inc. official Donald Flynn, has appealed the action in a cumbersome hearing process that eventually will return to the board for final action. Working on a parallel track, Emerald officials are also trying to negotiate a compromise with the board, a deal that could involve sale of the Emerald's assets to another casino group.

Since what once seemed a fatal setback to the casino, Ryan has substantially altered the makeup of a regulatory panel that, after years of passive oversight of the gaming industry, had become increasingly aggressive in its efforts to police the integrity of casino owners.

In addition to Mariano and Higginbottom, the governor in April appointed lobbyist Ira Rogal to the panel. Rogal is a business partner with former Democratic House leader Gerald Shea, who has represented groups seeking Illinois casino licenses and who is an investor in a Springfield hotel with the owner of a Downstate casino.

Board members serve three-year terms, but when Edgar was governor, he commonly reappointed members whose terms were up. The two members whose terms ended in June—Downstate lawyers Staci Yandle and Mac Ryder—had expressed interest in staying on the unpaid board. Both had voted against the Emerald.

RUSSIA: NATO has outlived its usefulness, Putin asserts

CONTINUED FROM PAGE 1

needed," Putin said. Wednesday "The Warsaw Treaty does not exist, the Soviet Union does not exist, but NATO exists and is developing successfully."

"And when we are told that it is a political organization, that it is being transformed from a military into a political organization, then, naturally, we may ask, why did you bomb Yugoslavia?"

Putin called for the creation of a "single security and defense space in Europe." This could be achieved, he said, by disbanding NATO or by allowing Russia to join it. Or a new body could be created in which Russia would be an equal partner.

Putin's comments on U.S. missile defense, delivered at a first-of-its-kind news conference in Moscow, were in keeping with previous Russian assertions that its massive nuclear arsenal could overwhelm any new U.S. system. But they are significant in helping to define the limits of Moscow's new and, so far, vague treaty with Beijing.

"Each state decides what to do and how," Putin told about 500 journalists at the Kremlin.

"... Russia is not planning joint actions in this sphere with other states, including China."

"I must tell you that Russia at present has enough strength and resources of its own to react to any change in international and strategic stability."

Putin said that during their talks this week in Moscow, he and China President Jiang Zemin discussed the possibility of a U.S. pullout from the 1972 Anti-Ballistic Missile Treaty. Both countries oppose such a move, asserting that the treaty is a cornerstone of weapons control and that abrogating it would lead to a new arms race.

But the ABM topic "was not central to the visit," Putin said. "We talked in the first place about our bilateral relations."

Wednesday's news conference was Putin's first wide-open briefing in Moscow since he took over the Kremlin a year and a half ago. Usually Putin answers a question or two, often approved in advance, from reporters who regularly cover the Kremlin.

But the 48-year-old former KGB spy has grown more comfortable dealing with the media. He has won points abroad for his performances at international meetings, including during the obligatory meeting of the press. And he weathered a three-hour discussion with selected foreign journalists at the Kremlin last month.

Putin will take to the international stage again this week during the G-8 summit in Genoa.

Putin spoke as U.S. Secretary of State Colin Powell met in Italy with his Russian counterpart, Igor Ivanov, in talks dominated by the American missile defense plan.

Powell later described the two-hour meeting as "very, very friendly," and Ivanov said Russia is still open to "a constructive dialogue" despite the wedge that missile defense has driven in relations.

"The success of this dialogue will, by and large, determine the strategic stability of the entire world," Ivanov said.

Tribune news services contributed to this report.

(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)

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ARLINGTON HEIGHTS, IL.

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Ryan defends appointees to Illinois Gaming Board

Associated Press

BOURBONNAIS — Gov. George Ryan said Tuesday that he has never discussed a proposed Rosemont casino with the Illinois Gaming Board's two newest members, nor will he try to influence their votes on any gambling matters.

"The two folks I have nominated are excellent people," Ryan said. "They'll do a great job. I gave them no directions, no instructions. They're there to do what's right, and I'm sure they will."

The governor has been under fire from gambling critics since he announced late last month that he had replaced Gaming Board members Mac Ryder and Staci Yandle. Both voted against letting Emerald Casino Inc. move its riverboat license from a

shuttered boat in East Dubuque to Rosemont, a suburb near O'Hare International Airport.

Ryder and Yandle had asked the governor to reappoint them when their terms expired this month. Instead, he replaced them with two Chicago-area businessmen, real estate developer Elzie L. Higginbottom and former Dominick's Finer Foods CEO Robert A. Mariano.

Both Higginbottom and Mariano have ties to Chicago Mayor Richard Daley. Several Daley allies have invested in the Emerald project.

Ryan said Tuesday that he chose the two men in part because the board lacked members with business experience. Before the switch, all five board members were lawyers.

Rosemont mayor sues critic; casino deal on the horizon

BY SHAMUS TOOMEY

Daily Herald Staff Writer

Stung by accusations he is too close to organized crime, Rosemont Village President Donald E. Stephens has sued the Chicago Crime Commission's top investigator, claiming the former cop got it wrong when he told state regulators not to allow a casino in Stephens' empire because of Stephens' alleged unsavory ties.

The legal action marks the first defamation suit filed in more than two decades against the 82-year-old watchdog commission or one of its representatives, said Commission President Thomas Kirkpatrick, who noted suits often are threatened but rarely filed.

In the lawsuit, which was filed late Wednesday, the longtime village president claimed the commission's Wayne Johnson, a former Chicago police mob investigator, knowingly used unreliable information to paint Stephens as a business associate of organized crime when Johnson testified before the Illinois Gaming Board on Jan. 30.

Johnson that day rattled off a list of contacts Stephens has had with reputed and known mobsters. Stephens has acknowledged knowing organized crime figures but denies that gives him mob ties.

Johnson, who couldn't be reached for comment Thursday, was the target of a Stephens diatribe last week. Johnson theorized then that the mayor was trying to undermine Johnson's scheduled testimony Tuesday before the five-person gaming board, which has three new members since January.

News of the lawsuit was just one element in a busy day of activity on the Rosemont casino front Thursday as reports surfaced that two newly appointed state gaming board members have had business ties with proposed Emerald Casino investors, and that Emerald's embattled majority owners could be nearing a Las Vegas buyout.

One source said a deal to sell the bulk of the proposed casino's shares could be hammered out by the mid-



Donald E. Stephens

dle of August. It would then be presented to the gaming board for approval. Emerald officials declined to comment Thursday on reports it had narrowed its list of prospective buyers down to MGM-Mirage Inc. and Park Place Entertainment Corp., both publicly owned heavyweights in the gambling industry.

A spokesman for MGM-Mirage confirmed it is negotiating with Emerald.

"Its location in Rosemont is particularly interesting," MGM's Alan Feldman said. "It's strategically located. It's virtually in the city of Chicago. ... It could be a dynamic place to do business."

MGM-Mirage has a stable of Las Vegas casinos, including the Bellagio, the Mirage and New York New York Hotel & Casino, but it has no presence in Illinois. A prior version of the company tried to put a riverboat casino in West Dundee but ultimately lost out to the company that built the Grand Victoria in Elgin.

Park Place officials would neither confirm nor deny they were negotiating with Emerald. The world's largest gambling company already owns Caesar's Palace, the Bally's casinos and others but has no casinos in Illinois.

Emerald officials, led by chief executive officer Kevin Flynn, have made clear they would sell their shares to get out from under the legal mess the company is now ensnared in. Emerald had tried to move its defunct license from East Dubuque to Rosemont after legislators opened up Cook County to casinos in 1999, but the gaming board voted down the move Jan. 30. The board accused Kevin Flynn and his father, Donald, of lying to them. It also said the Flynn's had allowed two mob-connected investors onto a lengthy list of minority owners. The denial is under appeal.

Any sale of the Flynn's 52 percent stake would likely be contingent on the gaming board reversing its Emerald denial, thus paving the way for a project that is already partially constructed in Rosemont.

Critics of the plan fear there could be more influencing a board reversal than just the anticipated exit of the Flynn's. Late last month, Gov. George Ryan declined to re-appoint two board members — Staci Yandle and Mac Ryder — who voted against the Emerald deal.

Ryan's new appointees came under fire Thursday for reported business links to Emerald investors. Appointee Robert A. Mariano, the former chief executive officer of Dominick's Finer Foods, reportedly hired Emerald investor Susan Leonis as a Dominick's consultant in 1996. And appointee Elzie L. Higginbottom, a Chicago developer, has reportedly said his company has had business deals of less than \$2,000 a year with a company owned by Tim Degnan, a former top aide to Chicago Mayor Richard M. Daley. Degnan's wife, Sandra, is an Emerald investor.

Neither the appointees nor the investors commented Thursday. Ryan's office said the appointees were thoroughly screened and were not put on the board to aid Rosemont's chances.

Gaming board spokesman Gene O'Shea noted both Mariano and Higginbottom are "accomplished businessmen who haven't even attended their first meeting yet."

The Rev. Tom Grey, an outspoken opponent of gambling, has accused Ryan of "stacking the deck" in Emerald's favor. Grey has since heard back from Ryan, who wrote him a letter Monday saying for Grey to question Ryan's motives or the integrity of the new appointees "is an insult to them and is certainly offensive to me."

But Grey stuck with his criticism Thursday, saying the presence of the new appointees, who replace two lawyers, signals a deal to bring a casino to Rosemont is imminent.

"These are businessmen," Grey said. "And what do businessmen do? They make deals."

7/24/01

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(Mount Clipping in Space Below)

Another blow for casino deal

*Gaming board says MGM buyout
not a possible solution for Emerald*

BY SHAMUS TOOMEY

Daily Herald Staff Writer

A high-stakes deal that Rosemont officials hoped would end several legal battles and finally bring a casino to town was dealt what could be a stunning setback Thursday when the Illinois Gaming Board dismissed Emerald Casino's buyout negotiations as "not acceptable."

The regulatory body's short but powerful statement came after Las Vegas heavyweight MGM Mirage Inc. emerged Thursday as the frontrunner to buy out the embattled majority owners of Emerald.

The potential sale was seen as a compromise solution to revive the casino plan for Rosemont — a project rejected by the gaming board in January because, in part, of alleged lies told to the board by Emerald CEO Kevin Flynn, the casino's largest shareholder.

The new developments in the ever evolving Emerald saga now mean the casino's license — the only unused one left in the state — could be stuck in a legal quagmire for months, if not years.

Thursday began with the publicly owned MGM Mirage, the owner of a stable of Vegas casinos, filing documents with the U.S. Securities and Exchange Commission saying it had signed a deal with Emerald that gave it exclusive rights over the next 30 days to negotiate with the Flynn family, which owns 52 percent of Emerald.

MGM Mirage was one of four Las Vegas-based companies to submit bids July 20 on the Flynn's shares after a New York broker put out word they were available, according to a source close to the negotiations.

The MGM Mirage development was hailed as "absolutely good news" by Rosemont spokesman Gary Mack, who said the village hoped a sale would get the project back on track after months of delays.

But not long after, the gaming board issued a rare statement indicating it was not happy about the buyout negotiations and planned to continue its ongoing process to revoke Emerald's license.

"The current process involving Emerald's negotiations

(Indicate page, name of newspaper, city and state.)

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See CASINO on PAGE 13

FBI/DOJ

Casino: MGM Mirage still plans to negotiate with Emerald

Continued from Page 1

with MGM is not acceptable to the board," the statement said. "The only matters pending before the board are the two administrative hearings concerning the (appeal of) the denial of (Emerald's license) renewal and the revocation of the Emerald license."

Board officials declined to expand on what was considered unacceptable. But there has been talk that gaming board officials, still angered at the Flynn's for the alleged lies told during the license application process, are miffed that the Flynn's believe they are in the driver's seat and could walk away with hundreds of millions of dollars by selling a license that is under revocation proceedings.

Gaming board Chairman Gregory Jones said he preferred not to comment on the MGM negotiations. But he did say, "(Emerald) can do what they want, but it has to go before the board for approval."

The sale of any stake in an Illinois casino is subject to board approval. MGM officials say they hope to come before the board soon, but now any settlement that would reverse the January denial of Emerald's plan seems in doubt.

A rejection of a settlement could be seen as a departure from how the board has operated recently because

on Tuesday it allowed Jack Binion to sell his stake in a Joliet casino after he was forced out by the gaming board.

If a buyout brokered by the Flynn's is shot down by the board, it likely would mean the Flynn's' ongoing appeal of the January denial will continue in the courts. That would hold up any tax money to be generated by the dormant license—money slated to go to 71 suburbs and to the horse-racing industry.

Suburbs such as Bartlett, Hanover Park, Hoffman Estates and Palatine are among the group that would share in an estimated \$20 million a year if the casino opens. Representatives from the suburban group pleaded with the gaming board earlier this week to let the project move forward.

Emerald officials declined to comment Thursday other than to say any response will either come at a gaming board meeting or directly to the board in private.

MGM officials said they couldn't comment on the gaming board's statement and intended to go forward with their negotiations. If a deal is reached, they hope to go before the gaming board soon.

"We will be prepared in very short order to go before the board and answer any and all questions," MGM Mirage spokesman Alan Feldman said.

One theory about the "not acceptable" statement is that the gaming board is looking to rid itself of Emerald, and put the license up for bid, which could potentially send it to a different town. The Chicago Crime Commission's chief investigator, Wayne Johnson, has asked that it not be placed in Rosemont, claiming that Village President Donald Stephens

has close ties to organized crime figures. Stephens denies any impropriety.

As for Rosemont, the board's "not acceptable" statement caught local officials off guard.

"I find it a little surprising," Mack said. "On the other hand, I've come to believe there isn't anything the board can do to surprise me anymore."

IS



Jim Bryant, operations manager for the Klamath irrigation district, opening a headgate. AP/Herald and News photo by Ron Winn

Engulfs parched Northwest

m on Upper Klamath protest the U.S. Bureau nation's decision in out off water to grow a record drought. officials said the En-Species Act and other ler's required them to take at a certain level coho salmon and two uckers. The coho are threatened species in and the suckers are d.

first time in nearly a e government cut off he 1,200 farms along th River Basin, an re than 200,000 acres Oregon-California

the subsequent pro-

tests have been peaceful, some demonstrators have repeatedly broken into a dam facility and illegally opened headgates to temporarily restore water. This week, Norton determined that recent rainstorms and conservation measures by area farmers had helped boost the lake level and authorized the release of 75,000-acre-feet of water, about one-fifth of what is used for irrigation every year. "There simply is not enough water to do more than provide a little relief to some desperate farm families during the remainder of this season," she said. Already controversial for what environmental groups say is a pro-business approach,

Norton oversees three agencies that have differing points of view on the Klamath Basin: the federal Bureau of Reclamation, the Fish and Wildlife Service, and the Bureau of Indian Affairs. Her latest decision appears to have pleased no one. Indian tribes who depend on the coho for food and commerce say her action further threatened the river's fragile salmon population. Environmentalists warn that the region's entire ecosystem is in danger of falling apart. Farmers weigh in by saying the federal action is only a stopgap and refuse to abandon their protest.

PLEASE SEE WATER, BACK PAGE

Emerald casino buyout hits wall

State regulators move to stop sale to MGM Mirage

By Douglas Holt
Tribune staff reporter

As Las Vegas-based MGM Mirage Inc. revealed it was aggressively pursuing a buyout of investors trying to open the stalled Emerald casino project in Rosemont, the Illinois Gaming Board moved quickly Thursday to squelch the sale.

"The current process involving Emerald's negotiations with MGM is not acceptable to the board," read a brief statement issued by the five-member panel.

The board's swift reaction to the news of MGM Mirage's interest provided a clear signal that gambling regulators are unlikely to give a go-ahead for the project anytime soon or rubber-stamp a deal that could allow Emerald investors to reap big profits even though the board refused to let them open a casino themselves.

Sources close to negotiations on the sale said the figures being discussed by MGM Mirage and Emerald officials could approach \$600 million. Earlier this week the board approved the sale of the Joliet Empress casino to a Downstate investor group for \$475 million.

Unlike the Empress, which has been operating for years, the Emerald is little more than a concept soundly rejected by the board in January on a 4-1 vote over concerns about the credibility of some investors and the

PLEASE SEE CASINO, PAGE 20

ns ace the ACT

expect falloff overall on college entrance no state had more perfect scores.

nie Banchemo
reporter

Illinois high school including 36 in the rea, received the ssible score on the e entrance exam in pool year, more than number of perfect ed a year earlier. of the main factors surprising jump a double-edged cal and state educa-s, who are bracing verall ACT scores

Before, only about 60 percent of 11th-graders took the ACT. The increase in the number of test-takers is likely to explain at least part of the rise in perfect scores. At the same time, however, many of the juniors who took the PSAT were not enrolled in programs designed to prepare students for college. "We expect that scores may drop some because we will have a lot of kids taking the test who might not have otherwise taken it," said Kim Knauer, spokeswoman for the Illinois State Board of Education. "But that-

INSIDE

SPECIAL SECTION

The need for speed

A preview of Sunday's Chicago Grand Prix and a look at the drivers who make the CART series go. SECTION 9

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MOVIES

FROM PAGE ONE

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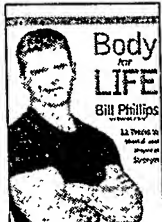
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CASINO: MGM Mirage alerted SEC about talks

CONTINUED FROM PAGE 1

alleged organized-crime links of others. The board's decision is being appealed by the Emerald investment group, led by former Waste Management official Donald Flynn and his son Kevin.

Last month Gov. George Ryan replaced two Gaming Board members who voted against the Rosemont project, giving rise to speculation that the reconstituted board might reconsider that action or approve a buyout of the Flynn group to get a casino up and running quickly but under different ownership.

The board statement was issued in response to a document filed Wednesday by MGM Mirage with the Securities and Exchange Commission. In it the company, which owns or operates 18 gambling properties in the United States, Australia and South Africa, said it had entered into a 30-day exclusivity agreement under which Emerald owners agreed to negotiate only with MGM Mirage over a possible sale.

Emerald officials declined to comment on the Gaming Board's action.

Rosemont's reaction

Gary Mack, a spokesman for Rosemont Mayor Donald Stephens, who is a strong backer of the casino, expressed surprise at the latest twist in a long-running battle.

"I don't know how they can say it's not acceptable," Mack said. "As I understand it, this is a business transaction between two private entities. What does the Gaming Board have to do with that?"

Meanwhile, a source close to Park Place Entertainment Corp., another Nevada gambling company that had been considering a bid for the Emerald, said that company backed off because it sensed Emerald officials were hoping to freeze the Gaming Board out of the dealmaking process. On Monday, Park Place withdrew from an auction process set up by the Emerald to sell the rights to an Illinois gambling license it has held for years but which the board had moved to revoke.

"We did so because we didn't like the idea that the Gaming Board was not involved in the process," the source said. "We thought the Gaming Board would react just like they did."

Until Thursday, buyout talks between MGM Mirage and the Emerald group appeared to be gaining steam. During a conference call to financial analysts to discuss quarterly earnings, John Redmond, a top MGM Mirage official, revealed that the company was engaged in talks with Emerald officials who had flown to Las Vegas.

"We have a very keen interest in the Chicagoland market," Redmond said. He said the company was in "serious negotiations with principal shareholders in the Emerald facility representing 52.7 percent of the holdings."

Control over licenses

At the heart of the dispute over a potential Emerald sale is control over state casino licenses. Emerald lawyer Michael Ficaro has long maintained that despite two separate votes over the years by state regulators to revoke his group's gambling license, it is a private asset belonging to the Emerald.

The Emerald group has long held that license because, under a different name and with a different roster of shareholders, it operated the Silver Eagle riverboat near Galena. That boat ran into financial difficulties and was shut down.

But lobbyists for the Emerald succeeded in getting tailor-made language inserted in a 1999 gambling law passed by the General Assembly that granted the casino company permission to relocate—an ability no other Illinois casino enjoys.

After the board voted to block the Emerald's bid to open in Rosemont, the investor group filed a lawsuit contending that the action violated the terms of the special relocation clause in the gambling law.

Shortly after the law was signed by Ryan, the Emerald group started construction on the casino, even though it had not obtained permission from the board. Several months later the Emerald called a halt to construction after the board threatened to issue a cease-and-desist order. The group later said it sank \$70 million into the work before it was suspended.

'False and misleading'

In its January vote the board concluded that it would be unconstitutional to interpret the gambling law as forcing it to approve the casino, while ignoring organized-crime ties or false statements given to state investigators and have asserted control over the project.

In moving to revoke the Emerald's license, the board said the Flynn group demonstrated a "continuous pattern ... of providing false and misleading information" to state investigators, including questions about agreements to sell shares in the casino. The board also said two shareholders of the group and a firm hired to work on the casino site had links to organized crime.

According to sources close to the board, the panel has offered to settle with the Emerald group. In one proposal the Emerald was offered some limited payment for its license, but the board would gain control over the license and could choose a new owner after considering competing bids.

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METRO

Pols defend questionable gifts

Ryan, Stephens, others got cash from players tagged by gaming board as having crime links

By TIM NOVAK AND CHRIS FUSCO
STAFF REPORTERS

The alleged mob-connected players cited by the Illinois Gaming Board when it scuttled a Rosemont casino have given nearly \$150,000 to Gov. Ryan, House Speaker Michael J. Madigan, Rosemont Mayor Donald E. Stephens and other elected officials.

But many of those politicians, including Ryan, who appoints the gaming board, say there is no reason to return the money because there is no evidence the people mentioned by the gaming board have committed crimes.

"The governor supports what the gaming board is doing. They're a regulatory board. The [governor's] campaign committee is not," Ryan spokesman Dennis Culloton said, explaining why the governor will keep the money he got from people his gaming board says are linked to organized crime.

Nick Boscarino, whose wife, Sherri, is an investor in the stalled Rosemont casino, and his companies have donated \$31,900 to the governor. And Ryan also has received \$1,200 from casino investor Joseph Salamone and his brother Vito.

Sherri Boscarino and Joseph Salamone are "associated with persons who have been identified as members and associates of organized crime," the gaming board said, while Vito Salamone has "been identified as having connections with known members and associates of organized crime." Nick Boscarino added, "maintains a personal relationship and business associations with certain individuals who have been identified as known associates of organized crime."

While Ryan is keeping the money from these people with re-

puted mob links, in April he told the Chicago Sun-Times he would give to charity the \$40,000 he got from Thomas Matassa, identified as a mob associate by the Chicago Crime Commission. Culloton noted that the Boscarinos and Salamones are not on the commission's chart.

For Ryan to keep the money from the Boscarinos and Salamones "sort of goes beyond hypocrisy," said the Rev. Tom Grey, head of the National Coalition Against Legalized Gambling.

Nick Boscarino and Joseph Salamone both refused to comment, but in the past they have denied any links to the mob.

Besides the Boscarinos and the Salamones, state casino regulators also singled out D&P Construction of Chicago, which hauled trash from the Rosemont casino site. D&P is owned by Josephine DiFronzo, a sister-in-law of Chicago's reputed mob boss John "No Nose" DiFronzo, state casino regulators said.

D&P has given no money to Ryan's campaign fund, but the company has donated to several other politicians, including \$1,875 to state Sen. James DeLeo (D-Chicago).

"What does that mean, 'mob associated'?" In the year 2001, is there really a mob in Chicago?" DeLeo

said. "Besides some hearsay, what has the gaming board said about these people? There's been nothing to substantiate. They haven't said anything bad about this company or this woman. I don't think I should hold sins of the family against an individual."

Josephine DiFronzo also owns JKS Ventures Inc. Her two companies have donated \$44,805 since 1994 to various officials, including \$13,000 to Stephens. The Rosemont mayor says he has donated to charity the \$8,000 he got from D&P.

"My ma's known Josephine for so many years. She's a wonderful lady," said state Rep. Angelo "Skip" Saviano (R-Elmwood Park), who has gotten \$8,750 from DiFronzo's companies.

State casino regulators "are making these people out like they're John Dillinger. That's just not the case," Saviano said.

CASINO CASH

The Illinois Gaming Board rejected Emerald Casino's plan to open in Rosemont in part because of alleged mob ties to Nick Boscarino, John "No Nose" DiFronzo, and Vito Salamone, all of whom the board said are "members and associates of organized crime." Boscarino's wife and Salamone's brother are investors in the casino, while DiFronzo's sister-in-law owns a construction company that has worked on the project. Boscarino, DiFronzo's sister-in-law Josephine, and Salamone and his brother Joseph, or companies that any of them have, have made these campaign contributions since 1994.



Rosemont Mayor Donald E. Stephens



Gov. George Ryan



House Speaker Michael J. Madigan (D-Chicago)



State Rep. Angelo "Skip" Saviano (R-Elmwood Park)

Official	Boscarino	DiFronzo	Salamone
Rosemont Mayor Donald E. Stephens	\$31,500	\$13,000	
Gov. George Ryan	31,900		\$1,200
House Speaker Michael J. Madigan (D-Chicago)	19,500	200	
State Rep. Angelo "Skip" Saviano (R-Elmwood Park)		8,750	
State Rep. Ralph Capparelli (D-Chicago)	5,000		1,750
Illinois House Republican Campaign Committee	5,000	200	
Rosemont Voters League	2,700	2,450	
State Rep. Michael McAuliffe (R-Chicago)	3,100		500
Peter Silvestri, a Cook County commissioner and Elmwood Park mayor		2,450	
Leyden Township Regular Republican Voters League		2,280	
Chicago Ald. William Banks (38th)		2,000	
State Sen. James DeLeo (D-Chicago)		1,875	
State Sen. Dan Cronin (R-Elmhurst)		1,850	
Melrose Park Mayor Ronald Serpico		1,650	
Cook County Commissioner Joseph Mario Moreno		1,500	
River Grove Mayor Thomas Tarpey		1,500	
36th Ward Democratic Organization		1,400	
Franklin Park Mayor Daniel Pritchett		1,100	
AJ Sam, former Republican candidate for secretary of state		1,000	
Statesman of the Year		1,000	
United Township Party of Proviso Township		1,000	
Melrose Victory/Vision parties		950	
Schiller Park Mayor Anna Montana		500	
United Party of Stone Park		450	
Friends of Proviso		200	

SOURCE: Illinois State Board of Elections and Sun-Times research

SUN-TIMES

"Whatever their past is, it's the past. If they want to donate to myself and the Northwest Side mayors, we're confident they're a reputable company."

"The Italian Mafia is gone," Saviano said. "I don't see it happening around here."

Josephine DiFronzo could not be reached for comment.

The Rosemont casino has been on hold since January, when the gaming board rejected Emerald Casino's plan to move from East Dubuque to the northwest suburb. Besides the alleged mob links, casino regulators said they had been given false and misleading statements by Emerald officials.

Emerald is appealing that decision, but the company's top shareholders also are negotiating to sell their 52.7 percent stake to MGM Mirage Inc. of Las Vegas.

Stephens long has sought a casino for Rosemont, but he has been under fire from the crime commission. The mayor has pointed out that D&P was only paid \$13,000 to haul some waste from the casino site, where construction stopped last year. And he pointed out that D&P has done work for the City of Chicago.

D&P also works for the Village of Franklin Park. The village president, Daniel Pritchett, has collected \$1,100 from the two companies owned by DiFronzo.

"They've been dealing with the village for 25 years, and they continue to do business with the village," Pritchett said.

Pritchett is among officials from the west and northwest suburbs and nearby Chicago neighborhoods who have received campaign donations from DiFronzo, Boscarino and the Salamones. Money also has been donated to some of the state's biggest power brokers, Madigan and the House Republican campaign fund controlled by House Minority Leader Lee Daniels (R-Elmhurst).

"If someone believes a legislator like Mike Madigan can be bought for an amount that doesn't even equal one-tenth of 1 percent of funds raised, then they are terribly naive," Madigan spokesman Steve Brown said.

Madigan has gotten \$19,500 from Boscarino and \$200 from D&P.

"If these people were truly guilty of crimes and offenses, the full force of the law would come into play," Brown said.

"If the gaming board has information about crimes that still fall within the statute of limitations, then they should turn that over to the appropriate federal prosecutor."

Under state law, the casino regulators can deny a license to anyone they believe "would discredit or tend to discredit the Illinois gaming industry." The casino regulators do not have to prove the people are guilty of any crime.

MS
7/30/01

194B-CG-114999-NC-33

SUN TIMES
7-29-01

Since the days of Al Capone, 82 year-old Chicago Crime Commission has been a gold mine of information on local mob

By ADDON PALLASCH
LEGAL AFFAIRS REPORTER

It takes more than a pesky libel suit to scare Wayne Johnson, 50, the Chicago Crime Commission's barrel-chested cop-turned-mob-watcher who is trying to keep the casino business out of Rosemont.

Likewise, Rosemont's orange-haired Mayor-for-life Don Stephens, 73, refuses to let some good-government group capsize his casino dream by accusing him of having mobbed-up friends.

So the skirmishing continued last week as Johnson took the podium at a state Gaming Board meeting and named the alleged mobsters—with nicknames like "Jeeps" and "Apes"—who he says are close to Stephens. Then Johnson dared Stephens to proceed with his libel suit, saying, in effect, "Bring it on!"

"The timing of this suit makes its objective obvious," Johnson said, reading from a prepared statement at the podium. "The mayor plainly has acted to try to intimidate the Chicago Crime Commission and me from appearing today and speaking the truth."

A libel suit would give the Crime Commission a chance to force Stephens and his alleged mob buddies to answer questions under oath. Johnson's comments made clear he and the commission relish the prospect.

For 82 years, since the worst days of Al Capone, when even cops and judges pocketed illicit profits, the Chicago Crime Commission, a privately financed agency independent of government, has monitored the Chicago mob. For its wealth of information—who's on top, who's on the outs, who shot whom—it has relied on informal communications with local, state and federal law enforcement.

Back in the 1930s, commission leaders forced meetings with Capone, warning him not to mess with local elections. Today, the commission's corporate backers check with the commission to make sure companies they do business with aren't tied to the mob.

Every few years, the commission publishes a chart naming 150 alleged mob members and associates—union leaders, numbers runners, political operatives, even police officers. And in 82 years, only one has ever sued.

"A lot of people threaten, but then they always drop it," said Commission President Tom Kirkpatrick. "One person 20 years ago. It was a case of mistaken identity. We settled."

The prospect of having to be deposed under oath by Crime Commission attorneys has dissuaded the others from challenging their dubious distinction.

"Most of the people on the list have two serious problems that would get in the way of their bringing a suit," said Dominic Gentile, a Las Vegas attorney

whose client, Salvatore "Sam" Cecola, says he is wrongfully listed. "No. 1, they don't have the money it takes to bring a libel action. And, No. 2, with all due respect to most of these people, most of them could not withstand a deposition. They've been taking the Fifth Amendment for 30 years."

Some of the purported mobsters carry around the list to show wannabes that they've arrived, said Jack O'Rourke, a former FBI agent who helped put away hit men Harry Aleman and Lenny Patrick, who reportedly killed 26 men between them.

"Everything I've ever seen was right," O'Rourke said of the commission's reports. "Wayne Johnson has done a real good job. He always had a good feeling for who was who. He's a well-respected guy. I worked with Wayne on a lot of cases when he was a police sergeant. We'd exchange information when he was a police officer. He's got a lot of his contacts within the Chicago Police Department and many other agencies as well."

Johnson spent 24 years as a Chicago cop, finishing in the intelligence division working on organized crime. Four years ago, he jumped to the Crime Commission, succeeding Jerry Gladden, another former cop, as chief investigator.

After Johnson's first speech earlier this year, the Gaming Board rejected the application for a Rosemont casino, citing mob ties of unnamed investors. Since that meeting, Gov. Ryan has replaced two board members, and it's unclear how a new vote will go.

Johnson was 4 years old when Stephens was elected Rosemont's first and only mayor. Stephens has admitted meeting reputed Chicago mob boss John "No Nose" DiFronzo, 72, once or twice and buying property from Sam "Momo" Giancana and his family 40 years ago. But Stephens says he is the one who drove the mob from Rosemont.

Stephens called Johnson "pa-



Chicago Crime Commission chief Wayne A. Johnson has been threatened with a lawsuit for alleging that Rosemont Mayor Don Stephens has mob ties, but experts say Johnson's information is usually on the mark.

thetic" and says his comments have damaged Stephens' "distinguished reputation." Twice through the years federal prosecutors tried Stephens for fraud, and twice juries acquitted him.

Howard Abadinsky, a mob expert and professor at St. Xavier University in Chicago, has worked with the Crime Commission and finds its reports on target.

"I'm really impressed with Wayne Johnson," Abadinsky said. "He took me on an organized crime tour of Chicago. The tour was so good, we actually ran into Joey Lombardo."

The Crime Commission ranks

Joe "The Clown" Lombardo, 72, as a No. 2 man or "advisor" to DiFronzo.

"We were in the alley on Grand Avenue and there he was, a big cigar in his mouth, working on his garage," Abadinsky said. "He didn't bat an eye. He just took a glance at us and just continued working on it. I was impressed with his nonchalance."

The FBI and local law enforcement agencies trade information with the Crime Commission, consulting the group's files and taking Johnson's tips.

The close relationship worries Gentile, the attorney for Cecola.

Based in part on the Crime Commission naming Cecola as a mob associate, Nevada moved to put his name on the "black book," banning him from running gambling operations in the state. Gentile subpoenaed Johnson in April to come to Nevada and answer questions about his evidence against Cecola.

"What he said was that the Chicago Crime Commission does not employ standards," Gentile said. "They take the word of law enforcement where law enforcement could not make a statement because it has 'due process' standards. They can't be arbitrary and capricious. He established that the Chicago Crime Commission can be arbitrary and capricious, using unofficial law enforcement opinion as a basis to put someone into their list."

Cecola's felony federal conviction for failing to file taxes on income from his adult bookstores does not make him a mobster, Gentile said.

Because of Stephens' threatened suit, Johnson said he could not comment for this article. But he and Kirkpatrick repeatedly have said they don't put any name on the list without evidence.

A law enforcement source said he expects the evidence will hold up against Stephens, too, and he wonders whether Stephens is willing to follow through on the suit.

"There's an avalanche of information on Stephens," the source said. "Once this thing goes into court, they can call Joe Lombardo and John DiFronzo."



Rosemont Mayor Donald Stephens isn't letting his casino dreams die without a fight.

194B-CG-114999-NC-34

10/31/01

METRO

Gaming appointees gave to Daley, Ryan

BY NICOLE ZIEGLER DIZON

Four days before he was named to the Illinois Gaming Board, Robert Mariano donated \$1,500 to Mayor Daley's campaign fund.

Three months earlier, a real estate company owned by Elzie Higginbottom, whose Gaming Board appointment was announced on the same day as Mariano's, gave \$10,000 to Gov. Ryan.

Gambling critics say the contributions, made public this week in filings with the State Board of Elections, are more evidence that the Gaming Board's two newest members are products of politics. But a spokesman for Ryan, who made the appointments, likens the connection to the plot of "an Oliver Stone movie."

"This appears to have nothing to do with anything except more attacks on their fine character," Ryan spokesman Dennis Culloton said Thursday. "These are successful business executives who have been involved civic leaders and answered a call to public service."

Mariano and Higginbottom did not return messages left Thursday. Daley's office had no comment.

Their appointments came under fire by gambling foes. The two businessmen, both linked to Daley,

replaced two Gaming Board members who had voted against allowing Emerald Casino Inc. to move its riverboat license to Rosemont.

Campaign records show another Gaming Board member, investor Stuart Levine, gave Ryan \$10,000 in March despite the governor's executive order barring contributions from appointees of state boards.

Last year, Ryan returned \$10,000 Levine had given him, citing the order. Culloton said Ryan would review the recent donation.

Lobbyist Ira Rogal, appointed by Ryan in April to fill a Gaming Board vacancy, gave \$250 each to his local GOP senator and representative during the latest election cycle, records show.

Board Chairman Gregory Jones was the only Gaming Board member who did not make a political donation during the first half of the year.

Meanwhile, the state's riverboat owners continued to boost the campaign funds of state politicians this year.

Investors in the Emerald casino and their companies gave at least \$13,500, records show. The company itself, which is in financial trouble, and its top executives did not donate.

AP

NW
8/3/01

194B-CG-114999-NC-35

NEWS



AL PODGORSKI/SUN-TIMES

Rosemont Mayor Donald Stephens' acquaintances urged him to "do a book," spokesman Gary Mack said. Stephens recently was in the news when he sued after he was linked to the Chicago Outfit.

Author goes to work on bio of Rosemont mayor

Writer who profiled Royko gets \$50,000

BY CHRIS FUSCO
SUBURBAN REPORTER

The author of an acclaimed biography of Mike Royko has begun documenting the life of another colorful Chicago area personality—Rosemont Mayor Donald E. Stephens.

F. Richard Ciccone, author of *Royko: A Life in Print*, published early this summer, didn't return messages over the last several days, but state records show he has been paid \$50,000 from the mayor's campaign fund since January, and Rosemont village spokesman Gary Mack confirmed Tuesday that Ciccone is working on a book about Stephens and Rosemont.

"We had talked about somebody kind of documenting what the mayor has done in Rosemont and his biography," Mack said, adding

that Ciccone "has interviewed many, many people who are friends and acquaintances of the mayor."

Mack said Ciccone doesn't have a deal yet to publish the Stephens book, but added, "I think Ciccone will get a publisher. He's a great writer."

Stephens, 73, is the first and only mayor Rosemont has had since it was incorporated in 1956. He used its proximity to O'Hare Airport to transform it from a swampy suburban armpit into a hotel and convention mecca. Along the way, he amassed a campaign fund that provides hundreds of thousands of dollars to politicians he supports. Stephens is paying Ciccone out of that pot of campaign donations.

Though Stephens is powerful and popular, he has also been a controversial figure.

Twice, he faced federal indictments, accusing him of lying on his taxes and getting kickbacks from

secret ownership in a land deal. Twice, he was acquitted.

With Stephens' recent push to bring a casino to Rosemont, the Chicago Crime Commission revived stories about his having associated with members of the Chicago Outfit, including his purchase of a hotel from a nephew of reputed Chicago mob boss Sam Giancana nearly 40 years ago. Stephens responded by suing the chief investigator for the commission, Wayne Johnson, for defamation of character.

Today, union janitors in the Rosemont area plan to unveil a Web site offering a critical view of the mayor and detailing a federal lawsuit against Bomark Cleaning Services, whose president is Stephens' son, Mark.

Mack said he doesn't know when Ciccone, a former managing editor of the Chicago Tribune, plans to finish his book on Stephens.

"It was not the mayor's idea," Mack said. "There have been a lot of people that said 'Man, you've had such an incredible, remarkable life, you should do a book.' We put the idea in his head."

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8-16-01

Officials put kibosh on Mirage casino deal

*Gaming board says
Emerald doesn't have
right to sell license*

By CHUCK NEUBAUER
STAFF REPORTER

Illinois gaming officials told lawyers for the owners of a proposed Rosemont casino this week that their plan to sell their state gaming license to gambling giant MGM Mirage was "dead on arrival," sources familiar with the discussions said Wednesday.

Tuesday, state officials told representatives of Emerald Casino Inc. that the Illinois Gaming Board would not approve, or even consider, a transfer of the license from Emerald to MGM Mirage, a Las Vegas company that owns or operates 18 casinos on three continents, the sources said.

They said state officials told lawyers for Emerald that they do not have the right to sell the gaming license and that they want them to surrender it to the state. The state officials said they would then hold an open bidding process to award the gaming license, Illinois' 10th, sources said.

"This is on a crash course to years of litigation," said one source who thinks Emerald's shareholders will not willingly surrender their license to the state.

A source close to the transaction said gaming officials made it clear that the board's issues were with Emerald Casino and not with MGM Mirage, which he said officials called "a respected company."

A spokesman for the Illinois Gaming Board, which would have to approve any transfer of the license, said the board would have no comment.

"I am very surprised that a regulatory board, acting as a fiduciary for the state, does not want to consider at this time a proposal that would end the litigation and begin allowing the 10th license to generate taxes and jobs for the state of Illinois," said Kevin Flynn, one of the majority owners of Emerald. Flynn would not comment further.

In January, the state board denied Emerald's plans for a Rosemont casino, citing "false and misleading" statements by the majority owners, Flynn and his father, Donald Flynn—charges the Flynn's deny. The board also cited alleged mob links by two minority casino investors and a construction company that was working at the site before construction stopped. Emerald's owners have filed an appeal of the decision.

Last month, the publicly traded MGM Mirage announced it was in "serious negotiations" to buy Emerald from the Flynn's and their 50-plus other investors. At that time, a spokesman for the gaming board said, "The current process involving Emerald's negotiations with MGM is not acceptable to the board."

Since then, gaming board officials have refused to meet formally with MGM Mirage representatives, saying the company had no standing in the matter.

"It remains our hope that all the unresolved issues that exist between the gaming board and Emerald can be resolved to everyone's satisfaction," Alan Feldman, a spokesman for MGM Mirage, said Wednesday.

194B-CG-114999-NC-37

Unfinished Rosemont casino is still stalled

BY CHRIS FUSCO
SUBURBAN REPORTER

Gaming Board doesn't appear ready to drop opposition

The state of Illinois, along with Rosemont and 71 other suburbs, are losing about \$334,000 in gambling taxes each day the site of a Rosemont casino lies vacant and rusting.

Don't expect that to change anytime soon.

The departure of the man who guided the Illinois Gaming Board as it rejected Emerald Casino's plan for Rosemont doesn't appear to be weakening the board's opposition to the project, as some had hoped.

"My sense would be no," said gaming board chairman Gregory Jones about whether a new board administrator could convince members to a change in ownership of the stalled casino so it could open.

"You have to deal with the person that's your licensee," Jones said. "You don't deal with third parties."

That means the casino likely will be on hold several months to several years as litigation plays out. Gov. Ryan, though, could try to

break the stranglehold next year by replacing Jones and another gaming board member who voted against the Rosemont casino. Their terms expire in July 2002.

In rejecting Emerald's plans earlier this year, gambling regulators said two of Emerald's principal owners, Kevin and Donald Flynn, made "false and misleading statements" to board investigators and let people with alleged links to organized crime be involved in the project.

Gaming board members are now irritated that the Flynns thought they could sell their shares in the company at a hefty profit to MGM Mirage Inc., which then

would have taken over the Rosemont project, sources say. On Aug. 14, gambling regulators told Emerald attorneys the potential sale was "dead on arrival."

But six days later, gaming board administrator Sergio Acosta announced his resignation, giving some casino backers hope that his successor might be more open to

the sale. Ryan has yet to name Acosta's replacement.

"From Rosemont's perspective, things only can improve," said Gary Mack, spokesman for the northwest suburb. "It appeared that the administrator was directing the board, rather than the board directing the administrator."

"If that, in fact, was true, I would hope a new administrator would take direction more from the board than the other way around."

Jones, however, said that all five board members—including three new members appointed by the governor since the board torpedoed Emerald's plans in January—appear against a sale.

"The board has had an opportunity to review what the previous board did and had indicated their support," Jones said.

That position isn't being lost on black, female and Hispanic investors who helped Emerald meet a 20 percent minority ownership requirement for the casino re-

quired by state law.

The Flynns are "going to have to lower their sights and not take some huge windfall," said a source within the minority group. "That's the only way this thing is going to work."

But with \$25 million already spent on Rosemont casino construction, the Flynns aren't backing down. The company stopped construction last year after the project's future grew more in doubt.

Emerald is appealing the gaming board's rejection of their casino plans. It also is suing the board, claiming regulators violated a 1999 state law that says "the board shall grant" the company's application to renew its casino license and move it from a failed Mississippi River site in East Dubuque to Cook County. A hearing is set for next Tuesday.

Even if Emerald wins in court, the battle would last from several months to several years, and finishing the partially built casino would take several more months after

that. If Emerald loses, the board likely would put the company's license up for bid, with no guarantee the casino would go in Rosemont.

That's not the only legal hurdle for the Rosemont project. A group of Lake County casino investors are appealing a Cook County judge's decision to dismiss their lawsuit. Lake County Riverboat L.P. claims the 1999 law directing the board to approve Emerald's relocation is unconstitutional because it gives only Emerald the right to have a casino in Cook County.

A Rosemont casino would generate more than \$100 million a year in state gambling taxes, plus at least \$22 million a year for Rosemont and 71 other suburbs that signed onto a revenue-sharing pact, according to the gaming board.

The casino could cause a temporary 20 percent decline in business at the Grand Victoria Casino in Elgin and a temporary 10 percent drop at the Hollywood Casino in Aurora, but business at both casinos would return to normal over time, gaming board spokesman Gene O'Shea said.

"As state finances tighten, \$100-plus million a year is going to become pretty important to the state of Illinois," Rosemont's Mack said.



Sergio Acosta
Quit board



Kevin Flynn
Emerald owner

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9/4/01

CHICAGO SUN-TIMES
9-4-2001

Gaming official's exit 'right choice'

CHICAGO SUN-TIMES
9-6-2001

Sergio Acosta leaves his job as administrator of the Illinois Gaming Board on Sept. 14 to rejoin the U.S. attorney's office's criminal division in Chicago, and that's just as it should be, Rosemont Mayor Donald E. Stephens said Wednesday.

"My truthful feeling is Mr. Acosta probably made the right choice because, basically, I think he's a prosecutor," said Stephens, who has been frustrated by the board's refusal to approve a casino in Rosemont. "I don't think he was the right man for administrator."

Stephens said he wished that Acosta and the board would have done more to "find a solution" to the problems state regulators had with Emerald Casino Inc., the company whose effort to open a Rosemont casino has been rejected by the board.

"That Gaming Board is to administer an industry, and shutting it down doesn't really administer it," Stephens said.

Asked if he wanted to respond to the northwest suburban mayor's comments, Acosta declined.

Stephens, whose town has spent more than \$40 million on a parking garage next to the proposed casino site, said he still hopes a casino can be built there.

Feeding that hope is that Emerald is suing the Gaming Board, arguing that a 1999 state law required the board to approve its casino plan. Also, Gov. Ryan—who has received of tens of thousands of dollars in contributions from the mayor's campaign fund—could change the board's makeup next year, when the terms of two of the members who voted against the casino expire.

Stephens said Rosemont relied on the 1999 law when it began building the parking garage.

Chris Fusco

WV
9/10/01

194B-CG-114999-NC-39

Stephens' wife wins Rosemont pacts

Mayor discloses firm's ownership before board makes choice

By CHRIS FUSCO
SUBURBAN REPORTER

Rosemont village trustees awarded more than \$90,000 in interior-decorating contracts Wednesday to a business owned by Mayor Donald E. Stephens' wife, Katherine Stephens' business, Katherine Murphy Interiors, is to

be paid \$72,414 to install carpet and wallpaper at the village-run Willow Creek Health Club, and her company is slated to get an additional \$20,587 to put in carpeting and to wallpaper the VIP room at the village-owned Rosemont Theatre.

The mayor disclosed that his wife owned the business before the village board voted on the contracts. He abstained from voting, as did his son, village Trustee Bradley Stephens.

"She's very good, very competent," the mayor said of his wife. "She had to be competent to



Donald
Stephens

Mayor's wife runs decorating business

get me." Katherine Stephens has done



Katherine
Stephens

decorating work in the village for several years, the mayor said. In fact, that's how the two met.

"We hired her. Then, I married her," Stephens said.

He said he won't directly profit from the contracts because he and his wife, who have been married 11 years, maintain separate bank accounts and file separate tax returns.

Asked about the appearance that nepotism got his wife the Rosemont work, he offered a suggestion to anyone who would criticize him: "Why don't they just have an election?"

Stephens has been challenged

for mayor just once since 1972, in 1985, when he won by a 4-1 margin.

He said his wife is working for free on a higher-profile government job: the renovation of the governor's mansion in Springfield.

The mayor's family has a big hand in Rosemont government. Besides Bradley Stephens serving as a trustee, the mayor's son and namesake Donald Stephens II runs the village's combined police and fire department. Another son, Mark Stephens, co-owns Bomark Cleaning Services, which got about \$3.8 million in village contracts in 2000.

194B-CG-114999-NC-40

9/10/01

(Mount Clipping in Space Below)

Political rivals at odds over township's car

BY AMY McLAUGHLIN
Daily Herald Staff Writer

Maine Township Supervisor Bob Dudycz said he and other officials are looking into whether former Supervisor Mark Thompson acted properly when he terminated the lease for his township car and then bought it. It's the latest volley between the two men, who have been political rivals since January, when Dudycz beat Thompson for the Republican nomination for supervisor. Dudycz went on to win in the April election.

Dudycz said officials recently realized that the township no longer had a car that was leased for Thompson. He said they found a document dated April 11 where Thompson terminated the lease, but trustees never signed off on it, Dudycz said.

Trustees talked about the issue in a private session Tuesday and decided to hold off on any action pending further review.

"The point is, we as a board are

missing a vehicle," Dudycz said.

Thompson said township trustees in 1997 approved leasing a car for him to cover his travel needs as supervisor. Since his term was coming to an end, he said it was within his authority to cancel the lease since his name was on all of the documents.

He later bought the car for about \$9,000.

"Whatever the new supervisor or the new board wanted to do was up to them," Thompson said.

The politics in Maine Township have become increasingly bitter between Thompson and Dudycz, who accused Thompson of taking documents and equipment with him when he left office.

Thompson, in turn, has a lawsuit pending against Dudycz, his brother State Sen. Walter Dudycz and Maine Township GOP Committeeman William Darr in which he accuses them of orchestrating the transfer of his state job to Springfield.

(Indicate page, name of newspaper, city and state.)

DAILY HERALD
ARLINGTON HEIGHTS, IL.

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Ex-federal prosecutor to

Associated Press

The new head of the Illinois Gaming Board said Tuesday that he would take a "fresh look" at Emerald Casino's bid to build a riverboat in Rosemont, noting that the state is losing hundreds of millions of dollars while the license is in limbo.

Philip C. Parenti, a former federal prosecutor and private attorney, is scheduled to take over as the Gaming Board's administrator on Nov. 16.

"I'm too new on the job to know the details of the entire matter regarding Emerald, but I will tell you

this: I'm willing to take a fresh look at the entire situation," Parenti said Tuesday during a press conference to announce his new job.

Under Parenti's predecessor, Sergio Acosta, the board had remained steadfast in its refusal to grant Emerald's request to move its license from a failed boat in East Dubuque to the Chicago suburb of Rosemont.

Acosta alleged that top Emerald officials had misled investigators and that some people associated with the casino had "insidious" ties to organized crime. Emerald has appealed

the board's January decision denying its license renewal.

This summer, the board — including new members not involved in the original decision — condemned Emerald for negotiating with casino giant MGM Mirage to buy its license.

Parenti said there may be a middle ground between those who argue Emerald should not profit from wrongdoing and those who want to get the state's 10th casino operating as soon as possible. He said Illinois is losing hundreds of millions of dollars that could be going toward

schools, law enforcement and other programs.

"It won't be a back and forth proposal; adding the case enough."

Parenti allowed Jack Binick to even after an Illinois

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Foes to urge board not to revive casino deal

By CHRIS FUSCO
STAFF REPORTER

Worried that the tide has turned and plans for a casino in Rosemont might be approved, a

Republican gubernatorial candidate and the leader of a well-known good-government group plan to urge state gambling regulators today to maintain their stance against the proposed

Emerald Casino.

State Sen. Patrick J. O'Malley, one of three Republicans in the governor's race, and Terrance A. Norton, executive director of the Better Government Association,

have asked to speak to the Illinois Gaming Board, as have two college professors, a clergyman and another activist, all of them opposed to the Emerald Casino.

Gambling opponents fear that a

deal to revive the Rosemont casino plan is coming because the Gaming Board's new administrator, Philip C. Parenti, recently said he "will take a fresh look" at Emerald's proposal, adding that Illinois is losing "hundreds of millions of dollars" in gambling tax revenues.

Also, four of five members of the Gaming Board have been replaced since last January, when the board cited alleged mob links and misleading statements by two of Emerald's top owners in rejecting the company's plans to open in Rosemont.

"There have been many changes on the board, and that the new administrator comes in and for openers lays Rosemont on the table" raises questions, said the Rev. Tom Grey, who heads the National Coalition Against Legalized Gambling. O'Malley, Norton and others wouldn't be at today's meeting "had Parenti not did his news conference," Grey said.

Norton said he will "remind the board they are regulators of the gambling industry and not advocates for the industry." He also said he will "applaud them for the courageous stand they have taken so far with respect to the Emerald Casino issue."

Dan Proft, an O'Malley spokesman, declined to comment about what his boss will say today. But he did say O'Malley supports casinos existing only in economically depressed communities.

Rosemont, by contrast, has prospered from its convention center, theater and Allstate Arena.

194B-CG-114999-NE-43

12/19/01

Broker stole \$1 million from Rosemont, suit says

Mayor cuts ties with business, family pal after federal probe

BY CHRIS FUSCO
STAFF REPORTER

Prompted by an ongoing federal probe, the village of Rosemont is suing one of its former insurance brokers, claiming the company inflated premiums to bilk it out of nearly \$1 million over five years.

The suit also prompted Rosemont Mayor Donald E. Stephens to announce he is ending his relationship with a longtime family friend and business associate, Nicholas Boscarino.

Until Stephens announced the suit Tuesday, he had adamantly defended Boscarino against Illinois Gaming Board allegations that Boscarino had ties to organized crime. The gaming board cited Boscarino as one of the reasons it jettisoned plans for a proposed casino in Rosemont. A member of Boscarino's family was to be an investor in that venture.

"Questions raised by federal authorities have led me to believe that Nick Boscarino had some involvement in this [insurance] matter, the full extent of which

has not been revealed to us by authorities," Stephens said during a news conference Tuesday.

"Based upon that belief, I feel betrayed. So today, I walk away from Nick Boscarino, as I said I would if anyone showed me he did something wrong."

Boscarino declined to respond.

Rosemont's suit alleges insurance broker Acordia of Illinois Inc. and its former executive, Ralph E. Aulenta, misrepresented fees for an insurance package that included property, general liability and auto coverage between 1991 and 1996. In 1996, for example, the company charged \$582,499 for the package when it allegedly should have cost only \$378,782. In all, the suit seeks to reclaim nearly \$1 million.

The charges appeared normal in 1990, when American Business Insurance Agency Inc. was the lowest of three bidders for the insurance package. Acordia acquired ABI in 1993, the suit alleges, and Aulenta was the president of both companies during its



Don Stephens
"I feel betrayed"

relationship with the village. Displeased with Acordia's customer service, the village went with another broker in 1997, and village officials said they didn't know of the alleged fraud until the FBI contacted them in September.

A lawyer for Acordia said Aulenta left the company more than two years ago, and his whereabouts are unknown. As for Boscarino, "He has never been an employee or an agent or [had] any connection to Acordia," attorney Ronald Safer said. The only relationship Stephens established between Boscarino and Aulenta was that they were members of the same golf club.

Boscarino has a long history with Rosemont and the Stephens family. He and Stephens' son Mark founded the Bomark cleaning company, which has lucrative contracts to clean the village's convention center, Allstate Arena and offices. Boscarino divested his interest in that company in 1997.

Mayor Stephens remains an investor with Boscarino in American Trade Shows, which he said leases equipment at exposition centers. Stephens said he will unload that stock.

Contributing: Art Golab

12/19/01

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10/18/01
194B-CG-114999-7MC-45

FBI investigates village contract

Rosemont mayor to cut ties to pal

By Michael Higgins and Douglas Holt
Tribune staff reporters

Federal agents have subpoenaed Rosemont village records and questioned Mayor Donald Stephens about a lucrative village insurance contract and a longtime friend and business partner, according to Stephens and village records.

Stephens said Tuesday that FBI agents have questioned him twice in the last four months about Acordia of Illinois Inc., an insurance brokerage that oversaw the village's liability and property insurance coverage from 1991 to 1996. He said agents also asked him about Nicholas Boscarino, a Stephens business partner and investor in a proposed Rosemont casino, who has been accused by the Illinois Gaming Board of having mob ties.

It is not clear how Boscarino and Acordia are connected,

but Rosemont on Tuesday filed a \$1 million fraud lawsuit against the firm, claiming it had overcharged the village, as Stephens suggested that Boscarino had profited from the arrangement. The mayor said he was severing all ties to his longtime friend, who he has up to now vigorously defended against allegations leveled by gaming regulators.

Questions raised by federal investigators have led me to believe that Nick Boscarino had some involvement in this [Acordia] matter, the full extent of which has not been re-



Tribune photo by Jerry Tomaselli

Mayor Donald Stephens at a news conference Tuesday: "I feel betrayed. So today I walk away from Nick Boscarino."

vealed to us by authorities," Stephens said. "I feel betrayed. So today I walk away from Nick Boscarino."

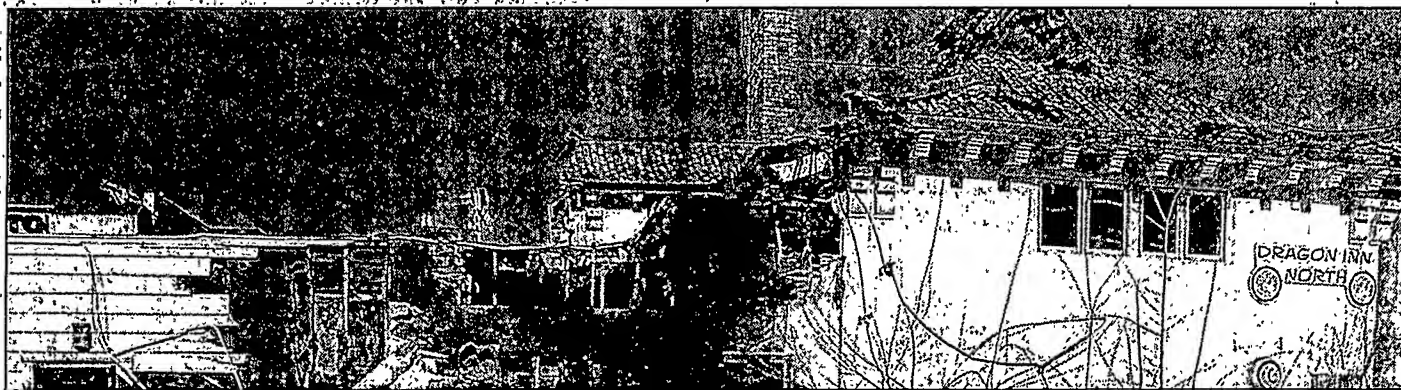
Rosemont lawyers said the U.S. attorney's office has told them that neither Stephens nor other Rosemont officials are targets of the investigation. Stephens said Rosemont

had been the victim of the scheme and that he expected to testify for the government if charges are brought.

Officials at the U.S. attorney's office in Chicago declined to comment.

The civil lawsuit, filed in

PLEASE SEE ROSEMONT, PAGE 4



Hospital has new name:

ROSEMONT: Stephens, Boscarino co-own firm

CONTINUED FROM PAGE 1

Cook County Circuit Court, alleges that Acordia and its former president, Ralph Aulenta, used hidden fees to overcharge the village almost \$1 million.

Rosemont lawyers said that as part of the investigation, the FBI also questioned other Rosemont officials. And records show the U.S. attorney's office subpoenaed documents, including all village records related to the awarding of insurance con-

tracts since 1990.

Efforts to reach Boscarino were unsuccessful. Rodney Piercey, who according to Gaming Board records represents Boscarino's family, declined to comment.

Ronald Safer, a lawyer for Acordia, would not comment on the lawsuit, noting that Rosemont held its news conference before delivering the complaint to the company.

Safer said Boscarino has never held a position with Acordia.

"I believe that he was an agent of the village, retained by the village, presumably with the mayor's consent, to represent the village in the purchase of insurance," he said.

Village officials denied that Tuesday, saying Boscarino had nothing to do with the village's selection of Acordia. Stephens said it was only after talking to

the FBI that he came to believe that Boscarino had some connection to the situation.

A woman who identified herself as Aulenta's wife directed calls to his lawyer but declined to identify the lawyer's name.

Looming behind the insurance probe is Stephens' ongoing quest to land a casino in Rosemont. The casino seemed to many like a done deal in 1999, when a new state gambling law, passed with Stephens' formidable lobbying help, appeared to give Emerald Casino the right to build in Rosemont.

But in January the Gaming Board voted to revoke the company's gambling license, citing among other things the alleged mob ties of Boscarino and another investor.

Emerald officials have appealed that decision and accused the board of engaging in

"unsupported character assassination."

At the time of board's ruling, Stephens vigorously defended Boscarino, 49, a former Teamsters official in Rosemont.

"Mr. Boscarino's big crime is being in a union," Stephens said earlier this year. People jumped to unfair conclusions about Boscarino, Stephens said.

Stephens and Boscarino have co-owned American Trade Show Services, a company that leased forklifts to trade show contractors at McCormick Place. On Tuesday, Stephens said he would sell his interest in the forklift company.

Gaming Board Administrator Philip C. Parenti declined to comment in detail, but did suggest that the allegations against Boscarino could further complicate matters for the proposed

casino.

"It certainly doesn't help," he said.

Acordia was known as American Business Insurance Agency Inc. when officials in its Schaumburg office approached the village in 1990, responding to a village request for bids on its insurance business, Rosemont lawyer Dan Reinberg said Tuesday. The company underbid two rivals and won the contract, Reinberg said.

The contract paid Acordia to find companies to insure the village, including coverage for property, automobiles, police and public officials.

Village Atty. Peter Rosenthal said the village never realized it was being overcharged because the many policies involved made it difficult to do a straight comparison to other insurance brokers.

STROGER: Jackson led bid to rename Cook hospital

CONTINUED FROM PAGE 1

pushed by Rev. Jesse Jackson, who said it surfaced two weeks ago when his Rainbow/PUSH Coalition held a ceremony to honor Stroger for his years of public service, which date to 1970, when he was first elected to the County Board. He was first elected board president in

late 1994.

The board voted to approve the hospital project in June of that year when Stroger's predecessor as board president, Richard Phelan, was still in power.

Even so, Jackson said that without Stroger, there would be no new Cook County Hospital.

Both Jackson and Stroger rebuffed any suggestion that the hospital's renaming, which takes effect immediately, smacks more of Chicago-style politics than noble bipartisanism.

No deals were cut or political promises made, they said.

"Sometimes people who are in public service ... do some-

thing just because it's right," Jackson said.

Stroger said Jackson called him recently to bring up the name-change idea. Stroger said he told Jackson, "I could not be out front" promoting the idea, but he also said he wouldn't block it.



Stroger

of the people," Stroger said. "I never thought [about the naming of the hospital] until Jesse spoke to me about it."

From inception to passage,

the name change zipped through the board with unusual haste, skipping the routine practice in which a committee first considers ordinances.

Jackson, noting that support came from both Republicans and Democrats on the board, called its action "a great American moment."

Stroger's colleagues on the board—even those who don't fully support the current hospital or had voted against building the new one—praised Stroger's dedication to county health care.

"John, you've done a lot of good work, especially with this project, which is so needed," said Republican Commissioner Carl Hansen, who in the past

has been critical of the new hospital.

In other action, the board voted to increase picnic permit fees in Cook County forest preserves.

Beginning Jan. 2, all permit applicants will have to pay a new, \$10 application fee, regardless of the type of permit requested. The Cook County Forest Preserve District also will implement a new, \$50 surcharge on permits for picnics with 100 to 500 attendees and increase the surcharges for larger gatherings.

Forest Preserve District Supt. Joseph Nevius said the district hopes to raise an additional \$504,950 from the new fees.

Residents want land for pa

BY AMY McLAUGHLIN
Daily Herald Staff Writer

The battle for the vacant land at Rand Road and Dempster Street in Des Plaines is not over.

After an hourlong closed meeting Tuesday, Des Plaines Park District officials said they are still gathering information about a possible purchase of the 3.89 acres at the Rand/Dempster corner, which is currently slated for a hotel and bank development.

Located next to the park district's Rand Park, the property would be a nice addition to the park district's

holdings, residents told park officials Tuesday night. "This is a beautiful area," said resident Irene Serwa, who lives near the park. "Please look at the wonderful possibility that you have."

Nearby neighbors fear development on the land would exacerbate persistent flooding.

Water from the land drains directly into flood-prone Farmer's Creek, which eventually drains into the Des Plaines River. Neighbors have approached park district officials to purchase the property and keep it from being developed.

Nearby resident James Behren-

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Rosemont says insurer illegally took \$1 million

BY AMY McLAUGHLIN
Daily Herald Staff Writer

Lawyers for the village of Rosemont have filed a civil lawsuit against an insurance broker that village officials say defrauded them out of about \$1 million while providing liability insurance coverage from 1991 through 1996.

Rosemont officials accuse Acordia of Illinois and Ralph E. Aulenta with inflating the cost of annual premiums by as much as \$200,000 on one occasion.

Mayor Donald E. Stephens, on Tuesday said he wants the money back. In addition, the village is seeking punitive damages.

Rosemont officials said the lawsuit arose out of a FBI investigation of the company. The FBI declined to comment, and no criminal charges have been filed.

Stephens also said he feels betrayed by former friend Nicholas Boscarino. Rosemont officials said federal investigators have implied that Boscarino received money from the insurance deal. Boscarino, who could not be reached for comment Tuesday, has not been charged and is not named in the village's lawsuit against Acordia of Illinois and Aulenta.

Stephens had defended Boscarino, a former business associate and personal friend, against allegations that came up during the Illinois Gaming Board's consideration of a license for the proposed Emerald casino in Rosemont that Boscarino had a connection to organized crime.

Boscarino's family has a 1 percent investment in the casino, Stephens said. The gaming board ultimately voted 4-1 against the casino plan in Rosemont.

Stephens said he does not know details about how Boscarino might have been involved, except that Boscarino and Aulenta belong to the private Rolling Green Country Club in Arlington Heights. Stephens said he believes the allegations to be true, but declined to elaborate.

"Today, I walk away from Nick Boscarino," Stephens said during a news conference Tuesday at the Rosemont convention center that bears Stephens' name.

Stephens, who said he has been visited twice since late September by the FBI, said he doesn't know why federal authorities started the investigation. Rosemont officials took pains to stress that the village is the victim and not the target of the federal investigation.

Acordia attorney Ronald S. Safer of the Chicago firm Schiff Hardin & Waite said company officials have yet to see the lawsuit.

He said Boscarino does not have any connection to the company, and questioned why Rosemont officials held a news conference on the lawsuit.

"As is always the case with Mr. Stephens, there is more than meets the eye," he said, declining to elaborate.

Safer said the lawsuit may be an attempt to deflect attention away from Stephens' and his connection to Boscarino.

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DAILY HERALD
12-19-01

194B-CG-114999-46 NC

Minority investors in casino hire lawyers

Group wants answers, not suit, Connie Payton says

BY CHRIS FUSCO
STAFF REPORTER

A group of female, black and Hispanic investors, including Walter Payton's widow, former Chicago Bear Shaun Gayle and other well-known minority businesspeople, is retaining two prominent black attorneys to represent it in the fight over a proposed casino in Rosemont.

"This has probably been one of the scariest, craziest things in my life," said Connie Payton, secretary for the casino's minority ownership group. She inherited her stake from her late husband, who starred in the NFL.

"From the very first [Illinois Gaming Board] meeting I went to... I just sat there with my mouth open with all the negative stuff," Payton said. "But the minority group, they're good people. You don't hear about the good people."

The minority shareholders, Payton said, do not want to add to the legal web entangling the casino.

"We're not pursuing any legal actions," she said. "We just hope this thing can be done." They hope the attorneys they have retained—George N. Leighton and Earl L. Neal—will help them see a return on the \$30 million they've invested.

"They came to us because they think they are in a crisis concerning a considerable amount of money invested by them," said Leighton, a former federal judge. "It's a serious matter."

Included in the minority group are auto dealer Al Johnson, an ally of Cook County Board President John Stroger; Walter Grady, president of Seaway National Bank on the South Side, one of the nation's largest minority-owned banks; and lawyer Chaz Ebert, wife of Chicago Sun-Times film critic Roger Ebert.

The investors helped Emerald Casino meet a 20 percent minority-ownership standard required in a 1999 state law that opened Cook County to gambling. That law has since been challenged by rival casino investors as unconstitutional, and the Gaming Board has rejected the casino, citing alleged mob ties and misleading statements by Emerald management.

MGM Mirage Inc. has explored taking over the casino but has gotten a cold reception from the Gaming Board, which would need to approve any deal.

Payton and other minority investors have said they've felt out of the loop on the casino deal because they haven't gotten clear answers on the status of their investments.

Emerald chief executive Kevin Flynn responded Thursday that the company has opened its books to all shareholders.

As for the minority group hiring attorneys, he said, "If it's helpful, I'm all for it."



Connie Payton
Joins fight

W
12/21/01

194B-CG-114999-NC-47

(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)

DAILY HERALD
ARLINGTON HEIGHTS, IL.Date: Wed. 12/19/01
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Rosemont says insurer illegally took \$1 million

BY AMY McLAUGHLIN

Daily Herald Staff Writer

Lawyers for the village of Rosemont have filed a civil lawsuit against an insurance broker that village officials say defrauded them out of about \$1 million while providing liability insurance coverage from 1991 through 1996.

Rosemont officials accuse Acordia of Illinois and Ralph E. Aulenta with inflating the cost of annual premiums by as much as \$200,000 on one occasion.

Mayor Donald E. Stephens on Tuesday said he wants the money back. In addition, the village is seeking punitive damages.

Rosemont officials said the lawsuit arose out of a FBI investigation of the company. The FBI declined to comment, and no criminal charges have been filed.

Stephens also said he feels betrayed by former friend Nicholas Boscarino. Rosemont officials said federal investigators have implied that Boscarino received money from the insurance deal. Boscarino, who could not be reached for comment Tuesday, has not been charged and is not named in the village's lawsuit against Acordia of Illinois and Aulenta.

Stephens had defended Boscarino, a former business associate and personal friend, against allegations that came up during the Illinois Gaming Board's consideration of a license for the proposed Emerald casino in Rosemont that Boscarino had a connection to organized crime.

Boscarino's family has a 1 percent investment in the casino, Stephens said. The gaming board ultimately voted 4-1 against the casino plan in Rosemont.

Stephens said he does not know details about how Boscarino might have been involved, except that Boscarino and Aulenta belong to the private Rolling Green Country Club in Arlington Heights. Stephens said he believes the allegations to be true, but declined to elaborate.

"Today, I walk away from Nick Boscarino," Stephens said during a news conference Tuesday at the Rosemont convention center that bears Stephens' name.

Stephens, who said he has been visited twice since late September by the FBI, said he doesn't know why federal authorities started the investigation. Rosemont officials took pains to stress that the village is the victim and not the target of the federal investigation.

Acordia attorney Ronald S. Safer of the Chicago firm Schiff Hardin & Waite, said company officials have yet to see the lawsuit.

He said Boscarino does not have any connection to the company, and questioned why Rosemont officials held a news conference on the lawsuit.

"As is always the case with Mr. Stephens, there is more than meets the eye," he said, declining to elaborate.

Safer said the lawsuit may be an attempt "to deflect attention away from Stephens" and his connection to Boscarino.



12/20/01

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194B-16-114999-NC-48 FBI/DOJ

•Stephens' wife wins Rosemont pacts

Mayor discloses firm's ownership before board makes choice

By CHRIS FUSCO
SUBURBAN REPORTER

Rosemont village trustees awarded more than \$90,000 in interior-decorating contracts Wednesday to a business owned by Mayor Donald E. Stephens' wife.

Katherine Stephens' business, Katherine Murphy Interiors, is to

be paid \$72,414 to install carpet and wallpaper at the village-run Willow Creek Health Club, and her company is slated to get an additional \$20,587 to put in carpeting and to wallpaper the VIP room at the village-owned Rosemont Theatre.

The mayor disclosed that his wife owned the business before the village board voted on the contracts. He abstained from voting, as did his son, village Trustee Bradley Stephens.

"She's very good, very competent," the mayor said of his wife. "She had to be competent to



Donald Stephens



Katherine Stephens

Mayor's wife runs decorating business

get me."

Katherine Stephens has done

decorating work in the village for several years, the mayor said. In fact, that's how the two met.

"We hired her. Then, I married her," Stephens said.

He said he won't directly profit from the contracts because he and his wife, who have been married 11 years, maintain separate bank accounts and file separate tax returns.

Asked about the appearance that nepotism got his wife the Rosemont work, he offered a suggestion to anyone who would criticize him: "Why don't they just have an election?"

Stephens has been challenged

for mayor just once since 1972, in 1985, when he won by a 4-1 margin.

He said his wife is working for free on a higher-profile government job: the renovation of the governor's mansion in Springfield.

The mayor's family has a big hand in Rosemont government. Besides Bradley Stephens serving as a trustee, the mayor's son and namesake Donald Stephens II runs the village's combined police and fire department. Another son, Mark Stephens, co-owns Bomark Cleaning Services, which got about \$3.8 million in village contracts in 2000.

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Gaming official's exit 'right choice'

Sergio Acosta leaves his job as administrator of the Illinois Gaming Board on Sept. 14 to rejoin the U.S. attorney's office's criminal division in Chicago, and that's just as it should be, Rosemont Mayor Donald E. Stephens said Wednesday.

"My truthful feeling is Mr. Acosta probably made the right choice because, basically, I think he's a prosecutor," said Stephens, who has been frustrated by the board's refusal to approve a casino in Rosemont. "I don't think he was the right man for administrator."

Stephens said he wished that Acosta and the board would have done more to "find a solution" to the problems state regulators had with Emerald Casino Inc., the company whose effort to open a Rosemont casino has been rejected by the board.

"That Gaming Board is to administer an industry, and shutting it down doesn't really administer it," Stephens said.

Asked if he wanted to respond to the northwest suburban mayor's comments, Acosta declined.

Stephens, whose town has spent more than \$40 million on a parking garage next to the proposed casino site, said he still hopes a casino can be built there.

Feeding that hope is that Emerald is suing the Gaming Board, arguing that a 1999 state law required the board to approve its casino plan. Also, Gov. Ryan—who has received of tens of thousands of dollars in contributions from the mayor's campaign fund—could change the board's makeup next year, when the terms of two of the members who voted against the casino expire.

Stephens said Rosemont relied on the 1999 law when it began building the parking garage.

Chris Fusco

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Former friend of Stephens is indicted on several charges

BY SHAMUS TOOMEY

Daily Herald Staff Writer

A Barrington man whose alleged mob ties played a role in the denial of a riverboat casino license in Rosemont was indicted by a federal grand jury Thursday on charges he and another man bilked an insurance company out of nearly \$300,000.

Nick S. Boscarino, 49, was charged with money laundering, conspiracy and wire fraud in the scheme, which prosecutors said diverted village of Rosemont insurance payments to Boscarino and co-defendant Ralph E. Aulenta, 60, of Inverness.

Boscarino is a former personal friend and business associate of Rosemont Mayor Donald E. Stephens. Prosecutors said Boscarino also is part-owner of a company that operates a restaurant, named Ribs, in Rosemont's village hall.

The mayor was aware of the investigation. Last month, he sought to distance himself from Boscarino, saying FBI agents had shown him enough evidence to convince him his friend was ripping off Rosemont through insurance swindles.

"Today, I walk away from Nick Boscarino," Stephens said at a Dec. 18 news conference called to announce that Rosemont was suing its insurance firm, Acordia of Illinois, for \$1 million in losses.

Thursday's indictment made no mention of Rosemont losing any money in the scam. Nor did it suggest Rosemont's insurance coverage was short-changed by it.

Instead, prosecutors said the victim of Boscarino and Aulenta's dealings was Acordia of Illinois' parent company, ABI/Acordia, which lost \$288,670 between 1990 and 1997 in the elaborate scheme.

Boscarino and Aulenta divided up that money and, thanks to good investments, it has since swelled to \$460,000, the indictment claims. Prosecutors said they will try to seize the latter sum.

Boscarino, of Overbrook Road in Barrington, made news early last year when the Illinois Gaming Board rejected Emerald Casino's petition to move into Rosemont. In detailing the reasons for killing a casino project seen by many as a done deal, the gaming board cited allegations that Boscarino had ties to organized crime. Boscarino's family owned a small share of Emerald.

Boscarino's attorney, Charles B. Sklarsky, Thursday said any claims of organized crime ties are "unfounded," and the indictment is "unwarranted."

"We look forward to having an opportunity to present our case in court," Sklarsky said.

Aulenta's attorney, Thomas

Breen, had not seen the indictment and declined to comment.

Aulenta, of Turkey Trail Drive in Inverness, is president of Acordia of Illinois, a branch of ABI/Acordia that is based in Schaumburg, prosecutors said.

Stephens is not mentioned in the 32-page indictment returned Thursday. He has said FBI agents visited him twice last September to talk about the investigation. Lead prosecutor Brian P. Netols Thursday refused to say what role Stephens played in the case.

"The investigation is not over with," Netols said when asked about Stephens.

Neither Stephens nor his spokesman could be reached for comment Thursday.

The investigation began when ABI/Acordia notified federal authorities about lost money, Netols said. The indictment claims Boscarino and Aulenta would take money out of ABI/Acordia's premium trust account, including money paid in by Rosemont, and divert it to Boscarino's companies — including Ribs — in the form of bogus commissions and refunded premiums. Aulenta would then falsify documents to hide the losses, the indictment alleged.

Neither men were in custody Thursday. Both are to be arraigned on an unspecified date.

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Emerald makes casino deal with MGM Mirage

BY SHAMUS TOOMEY

Daily Herald Staff Writer

Nearly a year after their plans to open a casino in Rosemont were sunk, the owners of Emerald Casino have struck a deal with MGM Mirage Inc. to unload the stalled project, a sale that could mean Rosemont will get its casino after all, sources close to the negotiations said Friday.

The more than \$600 million deal calls for Emerald to give the state a reported \$150 million of its windfall, cash that lawmakers are already coveting to help plug a \$500 million budget shortfall.

Illinois Gaming Board administrator Philip Parenti, whom Gov. George Ryan appointed last fall, helped broker the deal, sources said. But it still must be approved by the five-member gaming board, which could begin closed-door discussions on the plan Tuesday.

Emerald officials did not return phone calls, and gaming board officials refused to comment other than to say there is no vote scheduled for Tuesday. Officials at MGM Mirage Inc., which owns a stable of Las Vegas casinos, said Emerald needs to work out its issues with the gaming board before MGM can move forward.

"It's something we're obviously excited about if it should happen," company spokesman Alan Feldman said. "But until Emerald has resolved its outstanding issues with the state, we're on hold."

Emerald is embroiled in several legal battles with the gaming board, including an appeal of the board's Jan. 30, 2001, denial of the casino's request to move into Rosemont. The board at the time said Emerald's father-son ownership team of Donald and Kevin Flynn lied to their investigators and let mobbed-up people buy casino shares. One investor with alleged mob ties, Nick S. Boscarino, was indicted on fraud charges in an unrelated matter last Thursday.

The Flynn's have come to believe regulators will never approve the Rosemont casino if they remain owners. They began negotiating a buyout with MGM last summer, but the gam-

ing board preempted a deal by saying the negotiations between MGM and Emerald were "not acceptable."

According to those familiar with the negotiations, the sticking point all along has been how much of the Flynn's profits from the sale would go to the state as part of a settlement. Sources said the Flynn's offered just \$5 million last summer.

But now that the proposed settlement is reported to be 30 times that, it could be far more attractive to the state as its own economic future continues to darken. "We'd be happy to take \$150 million from anybody right now," said State Sen. Steven Rauschenberger, an Elgin Republican and General Assembly budget negotiator.

Projections have a Rosemont casino bringing in at least \$300 million a year, which would send an annual \$105 million to the state, the most of any Illinois casino.

Rosemont spokesman Gary Mack said he had not seen the deal but noted, "Rosemont just wants this thing to move forward."

Word of the deal touched off angry responses from those who oppose bringing legalized gambling into Rosemont.

Thomas Kirkpatrick, president of the Chicago Crime Commission, said the Flynn's should not be rewarded with hundreds of millions of dollars after being found unfit to run a casino. He argued the Flynn's have no actual license to sell, and the state should put it out to bid.

The gaming board has moved to revoke the Flynn's gaming license—the only one left in the state—but the Flynn's contend they maintain it pending their appeal.

The Rev. Tom Grey, a national anti-gambling activist, said the deal continues a disturbing pattern that began when lawmakers rewrote state laws to allow a casino to come to Rosemont.

"What started as a backroom deal in Springfield will end in a backroom in Vegas," he said.

• Daily Herald staff writers John Patterson and Ames Boykin contributed to this report.

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Casino battles aren't finished

Suits complicate MGM Mirage bid for Rosemont site

By Michael Higgins

Tribune staff reporter

Two investor groups, including one led by California billionaire Marvin Davis, say they will continue their legal fight for a share of the proposed Rosemont casino, despite a deal brokered by the

state's top gambling administrator that would allow a Las Vegas company to buy the rights to the stalled project.

Under the deal brokered by Philip Parenti, Gov. George Ryan's new Illinois Gaming Board administrator, MGM Mirage Inc. has offered about \$615 million to buy out Emerald Casino, the company that has tried unsuccessfully to bring casino gambling to Rosemont, according to a source familiar with the negotiations.

The source said MGM Mi-

rage would defend Emerald Casino's position in lawsuits brought by Davis' group and Lake County Riverboat, another investment group.

Davis says that Donald and Kevin Flynn, whose family owns the majority of Emerald Casino, promised him 37½ percent of the casino in a 1999 oral agreement.

The Davis' suit, which is pending in federal court in Chicago, has the potential to complicate any deal to jumpstart Emerald Casino because it raises doubts about how

much Emerald's owners have to sell.

Also not backing down is Lake County Riverboat, which has been trying to wrestle the state's only remaining gambling license away from Emerald Casino and build a riverboat in Fox Lake.

Lake County Riverboat's lead investor, Glenn Seidenfeld, said Monday that his group will continue to argue in court that the 1999 state gambling law that cleared the way for the casino in Rosemont is unconstitutional. A

Cook County circuit judge ruled last year that Lake County Riverboat had no legal right to sue, and the group has appealed.

The deal brokered by Parenti calls for MGM Mirage to pay a \$160 million settlement to the state to end the dispute between Emerald Casino and the Gaming Board, the source familiar with the deal said. The board revoked Emerald Casino's gambling license in January, alleging that its top offi-

PLEASE SEE CASINO, PAGE 5

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FBI/DOJ

CASINO: Both groups seek piece of the action

CONTINUED FROM PAGE 1

cials lied to board investigators and two of the group's investors had ties to organized crime.

The five-member Gaming Board would have to approve any deal. The deal with MGM Mirage would not resolve the lawsuits filed by either Davis or Lake County Riverboat.

Emerald Casino officials could not be reached Monday. MGM Mirage would not comment, and Rosemont officials could not be reached.

Davis says he agreed to buy his share in Emerald Casino for \$12 million and help with lobbying to pass the 1999 law.

Davis' attorney, Joel Chefitz of Chicago, said Monday that Davis wasn't necessarily opposed to the buyout deal, provided that he ended up with the share he was promised.

"For all I know, Mr. Davis would be perfectly happy to have MGM as a partner," he said.

The Lake County group's lawsuit attacked the gambling law because it handed Emerald Casino, which had owned a riverboat near Galena that failed, and its politically connected investors the right to build in Rosemont, a lucrative market.

They argued that the law singled out one company for a particular benefit and therefore was unconstitutional "special legislation."

But Seidenfeld said Monday that if a deal could be reached that would allow his investor group to buy into the project, that might resolve his complaints about the law.

"If [the law] is applied in a constitutional way, then it would not be unconstitutional," Seidenfeld said.

Seidenfeld said he had talked recently with MGM Mirage officials but there was no agreement.

If an appeals court revives the Lake County Riverboat suit, the potential impact is far-reaching. If the gambling law is invalidated, it probably would eliminate the legal authority for the

'For all I know, [Marvin] Davis would be perfectly happy to have MGM as a partner.'

—Joel Chefitz, Davis' attorney

casino in Rosemont and dockside gambling statewide.

Parenti would not comment Monday. But earlier this month, Parenti, who is also a lawyer, said one of his goals as administrator is to resolve whether the project can move ahead in Rosemont.

"I'm always open to any settlement discussion if it could benefit my client, which is the state of Illinois," he said.

Tribune staff reporter Douglas Holt contributed to this report.

Indicate page, name of newspaper, city and state.)

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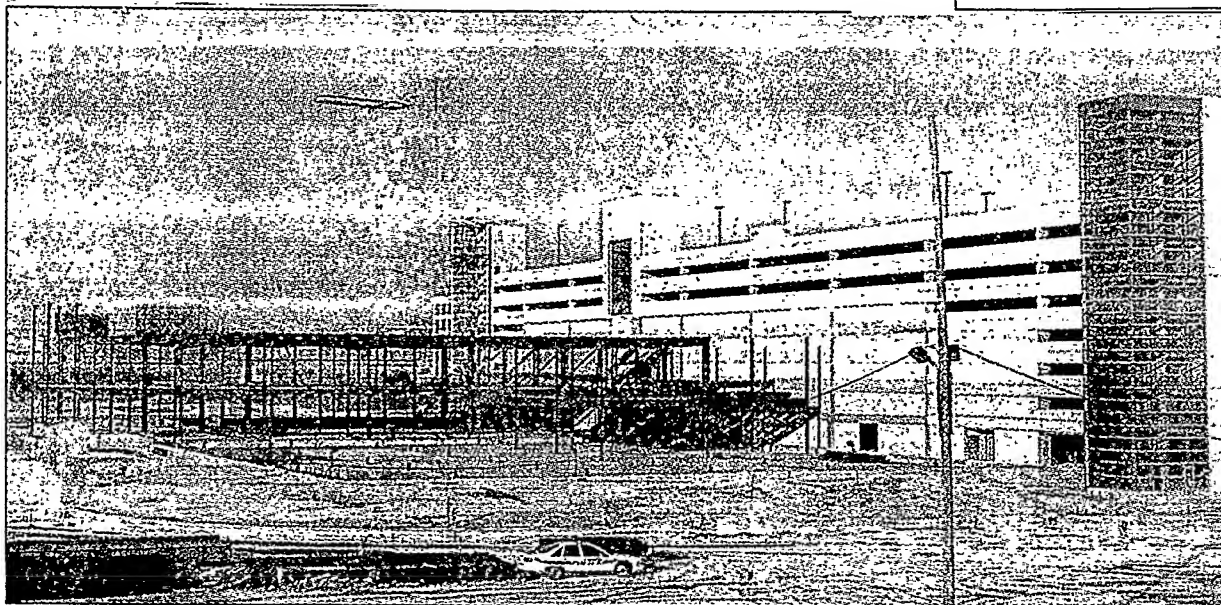
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A look at MGM

Deal to buy unfinished Rosemont casino would fit in with firm's fast-growth profile and \$10.4 billion gambling empire

BY MICK ZAWISLAK

Daily Herald Staff Writer



MARK WELSH/DAILY HERALD

An unfinished parking structure stands at the site of a proposed casino in Rosemont that could be revived if a deal is approved with gambling giant MGM Mirage, owner of the Las Vegas MGM Grand, top, and other properties.



194B/Cg 114999NC-54

FILE

The gambling heavyweight that has an interest in the moribund Rosemont casino owns the most expensive and the biggest hotels ever built and is known for entertaining volcanic eruptions and live pirate battles.

Las Vegas-based MGM Mirage, which owns or operates 19 resort casinos in the U.S. and overseas, is interested in the Chicago area because of the area's bottom-line potential and a desire to expand.

And while its major shareholder is an 84-year-old billionaire who has wheeled and dealt his entire life, those who follow the industry say the interest in the Emerald Casino's Rosemont casino license is strictly business.

"They'll be interested in any property that's in an open market where a big investment can turn a big profit," said professor William Thompson, a gaming expert at the University of Nevada Las Vegas.

"They'll do it with honesty and integrity but their interest is in the bottom line. It'll be an opportunity for them to tap the Chicago market and use Chicago as a marketing tool to help their properties in Las Vegas."

The Illinois Gaming Board meets today, but the Mirage matter is not on the public portion of the agenda. Board Chairman Gregory Jones refused to say Monday whether it would be discussed during the closed portion of the meeting.

The mega-company was formed in mid-2000, when MGM Grand bought Mirage Resorts for \$6.4 billion, reported as the largest corporate buyout in gaming history.

Ten of its casinos are in Las Vegas or southern Nevada, including the Bellagio, Treasure Island and the Golden Nugget. The company has no properties in Illinois and its nearest operation to the Chicago area is the MGM Grand Detroit Casino.

At \$1.6 billion, the 3,005-room Bellagio is the most expensive hotel ever built and features an 8-acre lake in front with water fountains that

Key facts on MGM MIRAGE

- Formed May 31, 2000, when MGM Grand acquired Mirage Resorts for \$6.4 billion

- Owns and/or operates 19 casinos, 10 in Las Vegas or southern Nevada, including Bellagio, Treasure Island and the Golden Nugget, as well as in Detroit, Mississippi and Australia.

- In joint venture for Borgata at Renaissance Pointe, a resort to open next year in Atlantic City.

- Total assets for 2001 listed at \$10.4 billion.

- Revenues for the nine months ended Sept. 30, 2001 were \$3.1 billion and net income was \$146 million.

- Majority shareholder is Kirk Kerkorian, 84-year-old billionaire financier who began to amass his fortune in commercial aviation beginning in 1939.

- Board members include retired Gen. Alexander Haig Jr. and Ronald M. Popeil, president of Ronco Inc.

Page 5: A look at Illinois gaming board leader and his role in the deal

"dance" to music.

At 5,034 rooms, the MGM Grand Las Vegas is the biggest. And visitors to Las Vegas can watch a volcano erupt in front of the Mirage or see a live action pirate fight with exploding ships every night at Treasure Island.

"They not only have the biggest but most luxurious properties with

the Bellagio and the Mirage," said Thompson. "They're certainly a respected company."

Thompson said the company is moving away from family entertainment, however, and is looking to court middle and upper level gamblers in its new ventures.

One of those could be Rosemont,

as the company pursues a reported \$600 million deal — \$150 million of which would go to the state — to acquire the interests in the Emerald Casino.

The gaming board early last year rejected Emerald's request to move its riverboat license from a closed boat in East Dubuque and build a riverboat on a man-made pond in Rosemont, saying majority owners Donald and Kevin Flynn lied to the board and let people with ties to organized crime buy shares.

The matter has since gone to court. In July, the gaming board without comment dismissed MGM Mirage's buyout negotiations as "not acceptable." There was some talk the board was upset the Flynn's could make millions by selling a license that is under revocation proceedings.

MGM Grand acquired Mirage Resorts on May 31, 2000, in what was described in news reports as the largest corporate buyout in gaming history. The company was founded by Kirk Kerkorian, who is the majority shareholder.

"Mirage is what I call one of the ag-

See MGM on PAGE 5

Gaming board leader has activist style

BY JOHN PATTERSON
Daily Herald State Government Editor

SPRINGFIELD — That Philip C. Parenti stepped up and helped broker a deal to revive the long stalled casino project in Rosemont should come as no surprise.

After all, the former federal prosecutor hadn't even officially started the job of running the daily operations of the state's gaming board last year when he said he was willing to take a "fresh look" at the Rosemont casino.

Parenti, who was picked by Gov. George Ryan as the board's administrator, said there were millions of dollars in taxes awaiting the state once the casino was up and running.

The comments caught gambling opponents off guard as they, like many gambling industry observers, had grown accustomed to the gaming board being the bureaucratic state agency assigned the dull task of enforcing state gambling laws and regulations.

Now, only two months into the job, Parenti has shaken things up and followed through on his early calls for action.

Last week, Parenti helped broker an apparent deal to have Las Vegas gambling giant MGM Mirage Inc. buy out the embattled investors of Emerald Casino, the group that had tried and so far failed to open the Rosemont casino. And neither the governor nor the board's chairman said he found anything wrong with

MGM: Company struggling since Sept. 11

Continued from Page 1

gressive companies in pushing the expansion of gambling. They pushed to get into Detroit, they're pushing to get into Great Britain," said the Rev. Tom Grey, a national anti-gambling activist.

"I think they're counting that MGM is the strong enough detergent to launder the dirty linen of the Flynn in Rosemont."

Not all has been well with MGM, however, as its hotel occupancy in Las Vegas plummeted after the Sept. 11 attacks.

The company posted a third-quar-

ter loss of \$14.4 million, compared with profit of \$72 million a year earlier, and revenues fell more than 5 percent.

In November, the company fired or laid off 6,400 full-time workers.

Last week, the public debt ratings of MGM Mirage were cut to junk-bond status by Moody's Investors Service, potentially making it more costly for the company to borrow money on the U.S. bond markets.

Standard & Poor's, another major bond rating house, continued to place investment grade ratings on MGM, however, according to news reports.

Parenti's role.

The gaming board's offices were closed Monday for the state holiday, and Parenti could not be reached for comment. Board Chairman Gregory Jones would not comment on how the gaming board would receive the pending deal.

The board is scheduled to meet today, although Jones said the Rosemont topic is not expected to come up.

As for Parenti's activist role, Jones indicated there was nothing improper.

"I think sometimes it's the personality of the administrator," Jones said in explaining the different roles re-

cent administrators have played.

Gambling opponents, however, have said Parenti's style is disturbing.

"I don't need an administrator, a regulator making a deal for the taxpayers of Illinois," the Rev. Tom Grey said in October after Parenti expressed his willingness to find a middle ground that would get the Rosemont casino running.

Grey is the executive director of the National Coalition Against Legalized Gambling.

He could not be reached for comment Monday.

• *Daily Herald news services contributed to this report.*

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Gaming Board quiet on deal

Gambling foes rail against move to save casino

By Michael Higgins
Tribune staff reporter

Illinois Gaming Board officials declined to comment Tuesday about a proposed agreement that would revive plans for a casino in Rosemont, angering anti-gambling activists who said a backroom deal could be in the works.

The proposal, brokered by board administrator Philip Parenti, would allow MGM Mirage Inc. to pay about \$615 million to buy out Emerald Casino, the company that has tried unsuccessfully to build a casino in Rosemont, a source familiar with the negotiations said.

In addition, the state would be paid \$160 million to settle its legal disputes with Emerald Casino, the source said. The board voted last January to revoke

Emerald's gambling license, alleging that the company's top officials had lied to board investigators and that two of the investors had ties to organized crime.

Because the matter of Emerald's license remains under litigation, the board would not comment on reports of a deal, its chairman, Gregory Jones, said at Tuesday's meeting.

But the prospect of a deal, along with the board's silence, disturbed gambling opponents who spoke during the meeting's public comment period.

Any agreement that allows Emerald's owners to reap millions of dollars would "undercut the public's confidence in the integrity of the Gaming Board," said Anita Bedell, executive director of Illinois Church Action on Alcohol and Addiction Problems. "I ask you to reject a settlement, hold the high ground and wait until this [litigation] comes to its conclusion."

Rev. Tom Grey, of the National Coalition Against Legalized Gambling, argued that the board should provide details

about the deal before, not after, the members have made up their minds to approve it.

Grey said Parenti and four of the board's five members were appointed by Gov. George Ryan in a reshuffling that occurred after the board revoked Emerald Casino's license a year ago. Grey questioned whether those newcomers would be as strict with the politically connected investor group as the previous board had been.

"This is a deal that can't pass any test," Grey said after the meeting. "It's only good for the insiders. ... What's driving this? If they say no comment, that leads me to believe that it's a fix."

Parenti declined to discuss reports of a deal, but he took issue with Grey's suggestion that Illinois gambling regulation was softening on his watch.

"The public should have a high degree of confidence in the gaming industry," Parenti said. "I'm going to resist organized crime. And I'm going to regulate this industry like it's never been

regulated."

Dennis Culloton, the governor's spokesman, said Tuesday that no one from Ryan's office participated in any negotiations concerning MGM Mirage and Emerald Casino and that Ryan is not pushing for any particular outcome in the casino dispute. "He's leaving that decision up to the Gaming Board," Culloton said.

Jones said any action on Emerald's license would occur in public session, but board officials would not say when action might be scheduled.

The board met in closed session Tuesday for about five hours.

The board is tangling with Emerald Casino on two litigation fronts. The company is contesting the revocation of its license, and it has filed a civil suit challenging the board's authority to halt the casino project.

Joseph McQuaid, vice president of Emerald Casino, declined to comment Tuesday. MGM Mirage officials could not be reached.

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Tribune photo by Stephanie Sinclair
Tom Grey of the National Coalition Against Legalized Gambling speaks before the Illinois Gaming Board on Tuesday.

(Mount Clipping in Space Below)

Good morning

If casino is allowed to sell Illinois license, then we really are suckers

Illinois is sometimes called "The Sucker State." The connotation does not involve lollipops.

We taxpayers may soon be suckered into one of the most costly giveaways yet.

The Illinois Gaming Board will soon rule on whether to give away a license to operate a gambling casino in Rosemont.

The license is the property of the people of the state of Illinois.

It is ours to give away, or to offer to the highest bidder. It may be worth a billion dollars in the competitive market.

But the Illinois Gaming Board may be getting ready to transfer the license to MGM, a major operator in gambling nationally.



Jack Mabley

Their application was rejected because of the questionable background of some of the shareholders.

But the gaming board appears to have brokered a deal for Emerald to sell the license to MGM for \$615 million.

The license is held — not owned, but held — by Emerald Casino, a group of investors who failed in operating a riverboat casino in East Dubuque and applied to transfer to Rosemont.

How can they sell something they don't own? Good question.

Taxpayers who care enough to read about all these manipulations are dizzy from the spin by the lawyers and politicians and gamblers.

They create all kinds of ifs, ands, and buts, and loopholes and exceptions to the rules. But the bottom line remains that the state of Illinois owns these licenses, has the power to award them to the highest bidder but instead gives them away.

Part of the proposed deal is to placate or buy off Illinois by giving \$160 million to the state.

Gov. George Ryan certainly could use that money. But wouldn't it make more sense to sell the license instead of giving it away and add maybe a bil-

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lion dollars?

I'd like to know how the candidates for governor feel about this. Their statements should be accompanied by a list of their campaign contributions from the gambling companies and from Don Stephens, mayor of Rosemont.

Strangely, few voices have been raised to protest the state policy.

One exception is Thomas Fitzpatrick, president of the Chicago Crime Commission, who said Emerald has no license to sell and the license should be put out to bid.

The owners of the failed East Dubuque operation were unable to get a transfer, so they're about to sell the license they don't own.

The Emerald investors would be

rewarded with hundreds of millions of dollars in profit — for failing.

If that doesn't qualify us as suckers, what does?

Tom Grey, the minister who practiced combat in the Army in Vietnam, is the most prominent (and effective) foe of organized gambling in the United States.

He was at the gaming board hearing on the Rosemont mess yesterday.

Grey does not carry on his war on moralistic or religious principles, but on the damage to society caused by the explosion of organized gambling.

"Ninety-four percent of gamblers in our casinos are from Illinois," he reminded me.

"That great sucking sound is money going to promoters from Las Vegas and Atlantic City and New York ... money that should be going to Illinois businesses ... stores and restaurants and theaters and groceries."

Gambling is seen as a financial blessing to the state.

What is not included in the argument is that if gamblers didn't spend (and lose most of) their money at casinos, they would be spending it on services and merchandise, and their towns and state would be collecting sales taxes.

Rosemont is a major test of the strength of the grip that the out-of-state gambling industry has on Illinois government.

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Indicate page, name of newspaper, city and state.)

DAILY HERALD
ARLINGTON HEIGHTS, IL.

Date: Wed. 1/23/02

Edition:

Title:

Character:

or

Classification:

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Indexing:

Gaming board mum on possible deal

Associated Press

Illinois Gaming Board members refused to discuss reports of a Rosemont casino settlement Tuesday, even as gambling opponents accused them of bowing to special interests and keeping the public in the dark about a deal.

"I want to assure the public and the media that when the board takes action on the Emerald casino license it will be done in a public session," Gaming Board Chairman Gregory Jones said at the opening of the board's monthly meeting. He then said members had agreed not to speak publicly on the matter because it was in litigation.

Jones' comments came after pub-

lished reports this weekend that Gaming Board Administrator Philip Parenti had worked out a deal that would let Las Vegas casino giant MGM Mirage take over Emerald's defunct license.

The reports, citing anonymous sources, said the state would receive \$160 million from the settlement.

Parenti declined comment on the reports after Tuesday's meeting. An Emerald attorney and executive did not return calls.

MGM officials have said they are interested in the Chicago area but would hold off negotiations with Emerald until that company had resolved its differences with the gaming board.

Talk of a possible deal comes almost a year after the board voted 4-1 to reject Emerald's bid to build a riverboat casino in Rosemont.

The board administrator at the time, Sergio Acosta, said the project had "insidious" ties to organized crime and that top Emerald officials had lied to gaming board investigators. Emerald appealed to an administrative law judge and filed a lawsuit.

Gov. George Ryan has since replaced four of the five members who took that vote, and Acosta left the board last fall. When Parenti was appointed, he said he would take a "fresh look" at the Emerald case.

The board met in closed session before and after Tuesday's meeting.

The Rev. Tom Grey, executive director of the National Coalition Against Legalized Gambling, accused the board of making decisions in private and merely voting on them in public. He urged members to reject any deal that would let Emerald officials profit.

"Maybe you're all geared not to look at this as regulators but as businessmen or negotiators or lobbyists," Grey said. "This is not 'Let's Make a Deal.'"

After the meeting, Parenti said he believes that gambling in Illinois "should have a high degree of regulation."

"I'm going to regulate this industry like it's never been regulated," he said.

194B/03/114999 NC-57

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(indicate page, name of newspaper, city and state.)

DAILY HERALD
ARLINGTON HEIGHTS, IL.Date: Thurs. 1/24/02
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Title:

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Rosemont casino figure pleads innocent to fraud

Associated Press

A former business associate of Rosemont Mayor Don Stephens pleaded innocent in federal court Wednesday to charges of fraudulently pocketing insurance premiums paid by the village.

Nick S. Boscarino, 49, entered his plea Wednesday before U.S. District Senior Judge John Grady in Chicago.

The judge set a \$150,000 bond to be secured by Boscarino's home in Barrington.

A hearing was set for March 6.

Boscarino was indicted Jan. 17 along with an insurance agent, Ralph E. Aulenta. Aulenta's attorney did not immediately return a call for comment Wednesday night.

Boscarino and Aulenta were accused of pocketing \$288,670 in insurance premiums and laundering the money through a series of bank

and brokerage accounts.

The indictment charged Boscarino and Aulenta with wire fraud, money laundering conspiracy and money laundering.

It said they engaged in a scheme to siphon the \$288,670 in premiums out of an insurance agency. Between 1990 and 1997, the two men swindled the agency out of the premiums and converted them to checks payable as rebates to two Boscarino companies, according to the indictment.

Stephens and Boscarino were at one time partners in a forklifting company, although the Rosemont mayor has since ended the relationship.

Boscarino was a key figure in the Illinois Gaming Commission's decision to block the Emerald riverboat gambling casino's license.

194B/CB 114999 NL-58

Rosemont mayor gives away indicted casino investor's gift

But fate of another \$31,500 in donations is still uncertain

BY CHRIS FUSCO
STAFF REPORTER

Rosemont Mayor Donald E. Stephens is giving to charity a \$5,000 political contribution he got from Nick S. Boscarino—an indicted South Barrington man whose family has a stake in the stalled Emerald Casino in Rosemont.

Stephens accepted the money on Aug. 23, state campaign finance records released last week show. Gary Mack, a spokesman for Stephens, said Monday the mayor is giving the cash to Maryville Academy, a Des Plaines-based social service agency.

It's uncertain whether Stephens plans to give away another \$31,500 he has received from Boscarino and his companies during the last eight years. "The \$5,000 was all that we were aware of, so I don't know the answer to that," Mack said.

Stephens publicly ended his relationship with Boscarino on Dec. 18, about a month before federal prosecutors accused Boscarino and another man, Ralph E. Aulenta, of taking \$280,000 through an insurance scam that involved a restaurant that leases space at Rosemont

Village Hall.

The indictment does not say Rosemont was victimized, but the village filed a civil suit against Aulenta and his former employer, Acordia of Illinois insurance, in December. It claims the company and Aulenta bilked Rosemont out of nearly \$1 million.

Until December, Stephens was a partner with Boscarino in a business that leased equipment at trade shows. He also had defended his friend against Illinois Gaming Board allegations that he had ties to organized crime. Boscarino's wife is an Emerald Casino investor through a trust, and the gaming board named her husband in explaining why it rejected the project in January 2000.



Donald E. Stephens
\$5,000 to charity

MGM Mirage Inc. is now trying to buy Emerald and resume casino construction through a \$600 million-plus deal the gaming board is considering. The Better Government Association, at a news conference today, will urge Illinois Attorney General Jim Ryan to block the MGM-Emerald sale, claiming the state law

that opened Rosemont to gambling is unconstitutional. Terrance Norton, the association's executive director, said the group plans to sue to stop the deal if Ryan doesn't act.

The casino's influence is evident in Stephens' campaign fund, which had a \$300,367 balance as of Dec. 31. Rarely challenged for reelection in his own community, the mayor uses the fund to dole out thousands of dollars to candidates and charities.

Near North Insurance—whose owner, Michael "Mickey" Segal, was charged with fraud last week—gave \$1,000 to Stephens in August. In 1999, Segal's firm got a no-bid contract from Rosemont to oversee a \$100 million policy for casino construction. Rosemont owns the casino site and had planned to lease it to Emerald.

Degen & Rosato, a contractor that had helped oversee casino construction, gave Stephens \$5,000 in July and \$10,000 in December. Earl Neal, an attorney representing black, Hispanic and female investors in the casino deal, gave him \$5,000 in December.

The casino's architect, Aria Group Architects of Oak Park, gave the mayor \$3,000 in December and \$250 in August.

Mack, Stephens' spokesman, noted that many of the casino-tied companies are longtime contributors to the mayor.

194B/cg114999 NC-59

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(Indicate page, name of newspaper, city and state.)

DAILY HERALD
ARLINGTON HEIGHTS, IL.Date: Wed- 2/6/62
Edition:

Attorney general urged to sue state over Rosemont deal

Character:
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Indexing:

BY SHAMUS TOOMEY

Daily Herald Staff Writer

A top government watchdog group jumped into the Rosemont casino fray Tuesday, urging Attorney General Jim Ryan to sue to block a deal that would let Las Vegas-based MGM Mirage buy out the proposed casino's embattled owners.

And if Ryan won't do it, the Better

Government Association pledged to file its own lawsuit in 30 days.

The concept of Ryan filing a lawsuit against the state immediately drew conflict-of-interest objections from casino supporters. Ryan, as the state's chief lawyer, is charged with defending state laws in court, not contesting them, critics said.

But Terry Norton, the association's executive director, said Ryan's duty is

to protect taxpayers. And the more than \$600 million deal for MGM Mirage to buy out Emerald Casino is a bad one because Illinois could get more cash by ousting Emerald and selling the license itself, Norton said.

"He ought to look at this as a situation where he represents the taxpayers, and they were taken here," Norton said Tuesday.

Ryan, a Republican who is running

for governor in the March primary, already has said that as a candidate he opposes the deal. As attorney general he has assigned his top aides to find a legal way to stop the plan and put the license out to bid.

Better Government Association officials proposed a way Tuesday. They urged Ryan to file a lawsuit claiming the clause in the 1999 state law that opened up Rosemont for a casino is

unconstitutional because it was designed solely for Emerald, then known as HP Inc.

That so-called "special legislation" argument was raised in a lawsuit shortly after lawmakers passed the bill. A judge ruled the group that brought the suit did not have legal standing to sue and threw the case out, but the association maintains a slightly different variation would be

successful.

In the original case, attorneys from the attorney general's office defended the law. If Ryan were to sue on the same grounds, he would have to do an about face.

Ryan spokesman Dan Curry said the attorney general was still looking for ways to block the deal and would formally respond to the association's request in the next month.

11/1/02

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Feds subpoena Emerald Casino for records

BY SHAMUS TOOMEY

Daily Herald Staff Writer

Federal prosecutors want to take a look at records from the stalled Emerald Casino project in Rosemont, and gaming officials confirmed they were served a subpoena demanding the documents.

Federal agents served the Illinois Gaming Board with the grand jury subpoena Tuesday while the board met in executive session.

The subpoena demands "any and all documents and records, in any form, relating in any way to a pro-

posed casino in Rosemont," gaming board spokesman Gene O'Shea said Saturday.

The subpoena did not specify what the grand jury is investigating, although it did specifically ask for documents about Nick S. Boscarino, an Emerald investor and one-time close friend and business associate of Rosemont Mayor Donald E. Stephens. The subpoena also asked about land along I-294 planned for the casino, O'Shea said.

Rosemont owns the 3 acres between Balmoral and Bryn Mawr avenues, and agreed to lease it to Emer-

ald for \$1.5 million a year.

Gaming board officials would not say if they had previously received any other subpoenas for records about Boscarino, the casino or the land.

But the board's spokesman said state regulators will work closely with federal authorities.

"Of course, we will fully comply with any grand jury subpoena issued by the U.S. attorney's office, and work hand-in-hand with anything within the jurisdiction of the gaming board," O'Shea said.

The records to be turned over are

not likely to be short on information about Boscarino. Gaming board investigators focused on him last year when a trust held by his wife, Sherri, was listed as a minority owner of the casino.

A gaming board report last year claimed Nick S. Boscarino and another man on the investor list had ties to organized crime; a discovery that partially led the board to reject Emerald's plan to move into Rosemont. Boscarino's attorney has denied the Barrington man is associated with the mob.

In recent days, Boscarino was in-

dicted on money laundering and fraud charges in a matter not linked to the casino. Prosecutors allege Boscarino stole money from Rosemont's former insurance carrier. He has pleaded not guilty.

When the gaming board voted down the Emerald Casino plan last year, regulators also claimed majority owners Donald and Kevin Flynn, a father-son team, lied to regulators about how their ownership group was put together.

The Flynns are now negotiating a buyout with Las Vegas-based MGM Mirage, a deal both MGM and the

Flynns hope will lift the project out of the legal quagmire it now rests in. A source familiar with the negotiations has said MGM Mirage would pay Emerald more than \$600 million. Emerald, in turn, would fork over a reported \$160 million to the state of Illinois to settle its lawsuits.

How the current federal investigation will affect that proposed deal is unclear. Gaming board members have declined to comment on the MGM proposal. The board plans to meet again in executive session Monday, but no public action is planned, O'Shea said.

(Indicate page, name of newspaper, city and state.)

DAILY HERALD
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194B/C9 114999 NC-61
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(Indicate page, name of newspaper, city and state.)

DAILY HERALD
ARLINGTON HEIGHTS, IL.Date: *Tues. 11/29/02*
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or

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Possible Rosemont casino license sale comes under fire from one candidate

Associated Press

Illinois Attorney General Jim Ryan, a Republican candidate for governor, said Monday that the state gaming board should not be negotiating the sale of a casino license in suburban Rosemont.

Published reports said gaming board administrator Philip Parenti had worked out a \$615 million deal for MGM Mirage to take over the shuttered Emerald casino's defunct license, with the state receiving \$160 million from the settlement.

But Ryan said the gaming board — which last year voted to reject Emerald's license, claiming the company had ties to organized crime and had lied to investigators — should instead proceed with its petition to deny the license.

If the allegations against Emerald are found to be true, "these people should not be enriched" by a sale, Ryan said, stressing that he was commenting as a candidate for governor, not as the state's attorney general.

"The process is now tainted," Ryan said. "I don't think (the board) should now enter a contract with MGM or anyone to sell."

Ryan would not say whether he

would seek to block a potential sale. He said his duty as attorney general is to represent the state — including the gaming board in a lawsuit filed by Emerald after the license was rejected — but has directed his staff to "look into what I can and can't do as attorney general."

MGM officials have said they are interested in a casino in the Chicago area but would hold off negotiations with Emerald until that company resolves its differences with the gaming board.

On Monday, three top assistants to Ryan attended a 4-hour closed-door gaming board meeting during which Parenti gave members an in-depth report on litigation involving Emerald, gaming board spokesman Gene O'Shea said.

He would not say whether the reported deal was discussed, nor whether members discussed a federal grand jury subpoena issued to the

board last Tuesday for all records of the proposed casino.

O'Shea has said the board would cooperate with the investigation.

Board Chairman Gregory C. Jones declined to discuss Monday's meeting, and Ryan spokesman Dan Anders said the attorney general's office would not comment.

After the board rejected the license, Emerald appealed to an administrative law judge and filed a lawsuit. Since the license was rejected, Gov. George Ryan has replaced four of the five gaming board members who took that vote, and last fall the agency's former administrator left. When Parenti was appointed, he said he would take a "fresh look" at the Emerald case.

The next public gaming board meeting is Feb. 26, but it has not been determined whether the Emerald issue will be on the agenda, O'Shea said.

194B/07 114999 NC-62

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(Indicate page, name of newspaper, city and state.)

Chicago Tribune

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Edition:

Metro Northwest

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CAMPAIGN 2002

Candidates rip casino buyout

All 7 in the race for governor light into Emerald plan

**By Douglas Holt
and Rick Pearson**

Tribune staff reporters

In a rare display of bipartisan unity, all seven of the Democratic and Republican candidates for governor have condemned the proposed buyout of the troubled casino in Rosemont that is being considered by the Illinois Gaming Board.

One candidate, Republican Illinois Atty. Gen. Jim Ryan, called the casino proposal "tainted" and said Monday his staff is exploring whether he could use his authority as the state's top legal officer to block it.

"Whether or not I can stop it, that's the question," Ryan said. "I've asked my lawyers to take a look at that."

Under a \$615 million deal pushed by Gaming Board Administrator Philip Parenti, Emerald Casino investors would be paid \$455 million to sell out to a Las Vegas-based casino company, MGM Mirage. The state would get \$160 million to settle its dispute with Emerald.

Last year, the Gaming Board revoked Emerald's gambling license on grounds that top company officials repeatedly lied to state investigators and sold casino shares to investors with mob ties. Since then, Gov. George Ryan has replaced four of the five Gaming Board members.

The candidates for governor in the March 19 primary all say the state should block the Emerald buyout.

"Talk about the mother of all backroom deals," Democratic candidate Paul Vallas said. "This is the height of absurdity. This is a whopper. This is sheer arrogance."

Republican Lt. Gov. Corinne Wood opposes the deal even though she counts among her supporters Rosemont Mayor Donald Stephens, the main architect of the 1999 law designed

PLEASE SEE CASINO, PAGE 6

194B/cg 114999 NC-63

CASINO:

Investors not likely to OK breaking even

CONTINUED FROM PAGE 1

to put a casino in Rosemont.

"Part of the problem is that so many negotiations have been going on in secret and we have very limited facts," Wood said.

"I have a real problem with a group of investors—who have been refused by the Gaming Board—to financially benefit. If I were negotiating, I would think that if the Emerald investors recoup their initial investment, maybe that's all they should be entitled to."

Emerald lawyer C. Barry Montgomery cast doubt on whether casino investors would agree to getting their money back without profit. "To get a consensus along those lines in my opinion would be very difficult," Montgomery said.

Republican state Sen. Patrick O'Malley said he found it "incredibly offensive" that the Gaming Board has put Emerald in the position of bargaining away a state-issued license. "If a deal anything like that comes down, the people of Illinois will be outraged," O'Malley said.

Democrat Michael Bakalis

called the plan "a terrible idea."

William P. Davis, press secretary for Democratic candidate Roland Burris, said: "If there's a windfall profit, then the state should benefit from that. This is a group that wasn't approved by the state to operate a casino."

An aide to Democratic candidate Rod Blagojevich said the Chicago congressman is highly skeptical of any buyout of the casino group. He too opposes any deal before federal investigators complete their probe and called for the state's 10th casino to go to a location that would provide more benefits to economically depressed areas such as Dolton, Ford Heights or Harvey.

"The casinos were supposed to generate an economic windfall to depressed cities and towns across the state, not generate a windfall to owners with questionable backgrounds," aide Peter Giangreco said.

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Indicate page, name of newspaper, city and state.)

DAILY HERALD
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Why Jim Ryan's role in Emerald casino deal is so hazy

BY SHAMUS TOOMEY

Daily Herald Staff Writer

The choppy waters that could one day lead to the much talked about boat-in-a-moat Rosemont casino have once again grown murky now that Jim Ryan has waded in.

A proposal that once seemed a done deal only to be rejected by the state last January appeared to be revived again last week. That's when news broke that Emerald Casino's



Jim Ryan

Whether the Illinois Gaming Board even would sign off on the deal

embattled majority owners had agreed to a more than \$600 million buyout deal with MGM Mirage that aims to settle Emerald's issues with state regulators and bring the boat to Rosemont.

remains unclear. And now that Ryan, wearing hats as both a front-running governor's candidate and the state's top legal adviser, has stepped in, doubt has been cast on whether he will allow the deal to even reach a vote.

On Monday, Ryan dispatched three of his top attorney general deputies, including chief of staff Rick Stock, to a closed-door gaming board meeting.

There they were given a briefing on

ongoing Emerald Casino litigation. Board officials would not say if that included a briefing on the proposed MGM buyout. But because the deal is structured as a settlement to litigation Emerald has pending against the board, that possibility is likely.

Skeptics have said an attorney general wields no power to stop such a deal. Ryan's campaign spokesman, Dan Curry, said Ryan believes he doesn't have to sign off on the deal to approve it, but is still looking into

whether he has authority to stop it.

It's not just his authority on the issue that is unclear. Also hazy is whether, if he finds a way to kill the deal as attorney general, will he do it? Or is this just a candidate posturing?

"He's asked his staff to lay out his legal options," Curry said when asked if Ryan would stop the deal if a way is found. "Beyond that, we'll just wait and see."

The MGM deal provides a quandary for political candidates.

The still-unsigned deal calls for \$160 million of Emerald's cash to go to the state to settle the suits. In addition, the casino is expected to bring in more than \$100 million a year in state tax dollars when it opens. That opening could happen in as few as six months if the gaming board approves the buyout, Emerald attorney C. Barry Montgomery said.

That cash could be used to plug

See CASINO on PAGE 6

194B/cg 114999 NC - 69

Casino: Ryan's interests could be at odds

Continued from Page 1

state budget holes that have forced outgoing Gov. George Ryan to make — and in some cases rescind — some difficult cuts. The next governor could face fewer budget cuts with the casino cash. That perhaps could make pre-election approval of the MGM deal a welcome thing to gubernatorial candidates.

But the Rosemont casino plan has been wracked in the past year by allegations of mobbed-up minority investors, mobbed-up workers on the site, lies told by Emerald owners Donald Flynn and Kevin Flynn and by a string of lawsuits. Support of the MGM deal could be seen as rewarding the Flynnns with millions despite them being found unfit by the gaming board.

It is seen as a dirty issue in an election year, and none of the gubernatorial candidates, Democrats or Republicans, say they support the deal. That includes Ryan, who

may be the only candidate with the authority to stop it before the election.

But Ryan, as attorney general, is also the gaming board's chief legal advisor. Sources have said gaming board administrator Philip Parenti, a recent George Ryan appointee, has helped move the MGM deal along to get the issue resolved. If Jim Ryan finds a way to stop the deal, it could go against the work of an agency he is advising.

"There are times, when representing a state agency, that what the client wants and what the attorney general thinks is the right course of action are two different things," Curry said.

"The attorney general ultimately sets the legal policy," Curry said when asked what happens then, stressing that he only was speculating.

As a political candidate, Ryan's position is that Emerald should proceed with an ongoing license revo-

cation hearing. If Emerald wins the case, then a deal could be considered. If Emerald loses, the state should explore putting the license out to bid, an idea that could require separate state legislation, Curry added.

Montgomery, the attorney Emerald hired to work on the settlement with the gaming board, said he believes the issue is not up to the attorney general's office to decide. Rather, it is up to the gaming board, he said.

"If (the attorney general) would come up with some position that this cannot go forward, we would like at that time to determine ... whether that was a legitimate position to take," Montgomery said.

What will happen with Ryan and with the Rosemont casino in general is a question that even some of those closest to the proposal don't know the answer to.

"I wish I knew," Montgomery said.

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(Indicate page, name of newspaper, city and state.)

DAILY HERALD
ARLINGTON HEIGHTS, IL.Date *Sat 2/14/02*
Edition:

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Rosemont casino dealt a setback

BY SHAMUS TOOMEY

Daily Herald Staff Writer

An administrative law judge on Friday denied Emerald Casino's attempt to end the state's revocation of its gaming license, dealing another blow to the troubled project, officials said.

The Illinois Gaming Board is trying to revoke the license — the only unused one left in the state — because of a series of allegations including that Emerald allowed mob-connected people to buy shares of the company.

Emerald appealed the ruling, asking the lawyer assigned to hear the appeal, Herbert Holzman, to throw out the case. Emerald attorneys contend a 1998 state law that says the gaming board "shall" approve the

project does not give the board discretion to reject it.

Holzman denied the motion to dismiss the proceedings Friday, setting the stage for the formal appeal process to move forward, gaming board spokesman Gene O'Shea said.

Emerald officials could not be reached for comment.

Possession of the license has been a hot topic since the board rejected the project in January 2001. Emerald claims it still holds the license and has the right to sell it. It has worked out a more than \$600 million deal to sell to MGM Mirage. Critics say Emerald should lose the license because of the allegations, and it should be put out to bid, possibly allowing the state to collect on the windfall.

194B/cg/114999 NC -65

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Rift seen among casino investors

Minority group
says it has no say

By Douglas Holt
Tribune staff reporter

Minority investors in the troubled Rosemont casino project filed a motion Thursday seeking to distance themselves from top casino officers accused of lying to state regulators and selling shares to associates of the mob.

The motion is another sign of a deepening rift among Emerald Casino investors, pitting shareholders led by former Waste Management executive Donald Flynn and his son, Kevin, against shareholders brought on in 1999 to satisfy a state requirement that 20 percent of the casino's owners be minorities and women.

"The minority shareholders of Emerald Casino Inc. have never been allowed any voice in the management of Emerald Casino Inc.," says a petition filed with Administrative Law Judge Herbert Holzman seeking to argue separately on the fate of the casino project.

Although the minority group invested more than \$30 million in the casino, the petition said, "Their interests have not been adequately represented before the Illinois Gaming Board by the majority shareholders."

Meanwhile, Gov. George Ryan said Thursday he was "delighted" by a proposal by the same minority group urging that all Emerald Casino investors sell their shares without a profit. That idea could reap the state \$500 million.

"If they could work that out, that'd be a godsend," said Ryan, who is preparing a state budget this month amid a \$700

PLEASE SEE CASINO, PAGE 5

(Indicate page, name of
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Chicago Tribune

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194B/cq/114999 NC-66

CASINO: Group wants investors to forgo profits

CONTINUED FROM PAGE 1

million shortfall in revenue this year.

Last week, the minority investors hand-delivered a letter to Emerald Chief Executive Of-

ficer Kevin Flynn taking strong exception to terms of a proposed buyout under which MGM Mirage Inc. would pay more than \$600 million for the casino license.

Under the Flynn-backed proposal, Emerald investors—who were rejected last year by the Gaming Board as unsuitable to run an Illinois casino—would walk away with a \$440 million windfall, and the state would get \$160 million.

The minority group, led by Connie Payton, widow of former Bears running back Walter Payton, contends that the

Emerald group has “no ethical or business grounds” to anything beyond recouping its investment, said Grayson Mitchell, spokesman for the group.

“We demand that company officers and directors forgo any and all profits from this sale,” the letter to Flynn states. Anything beyond that “should be rightfully allocated to the State of Illinois.”

“Public criticism of potential shareholder gain from this transaction, we feel, is valid and warranted,” the letter says. “For the company to attempt to realize a financial

windfall against the company's troubling backdrop of past events and current circumstances is both unfounded and egregious.”

Top Emerald officials repeatedly lied to the Gaming Board, allowed two investors with ties to organized crime to buy casino shares and hired a mob-controlled firm to work at the casino site, according to the Gaming Board. The board made the allegations last year when it denied the casino a license to operate.

Emerald's lawyers deny the allegations and are fighting

the Gaming Board's rejection in an administrative appeal before Holzman and a separate lawsuit in court.

Emerald's board of directors—which includes no minority investors—met Monday and discussed the minority proposal, casino lawyer C. Barry Montgomery said. But the board has taken no public position on the idea because it is still waiting for an answer from the Gaming Board on its own proposed settlement.

“Let's get an answer and then see where we go from there,” Montgomery said.

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Indicate page, name of newspaper, city and state.)

DAILY HERALD
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Eager for cash, mayors seek quick casino deal

BY SHAMUS TOOMEY
Daily Herald Staff Writer

Frustrated by delays that have kept millions of dollars of casino cash from their towns, the mayors of more than a dozen suburbs convened Thursday to implore the Illinois Gaming Board to cut a deal to end the dispute over the proposed casino in Rosemont.

The mayors represented some of the 71 suburbs that agreed six years ago to lobby for a casino in Rosemont in exchange for a cut of the village's gaming tax revenue for 25 years. Estimates then showed the 71 suburbs, based on population, would share about \$13.3 million annually if the casino raked in an expected \$400 million in receipts each year.

But the project remains on hold after the gaming board last year rejected Emerald Casino's bid to move into town. The board alleged that top executives lied to regulators and allowed mob-connected shareholders to buy in. The rejection is under appeal, a process that could take years to resolve. In the meantime, Emerald has agreed to sell its stake to Las Vegas-based MGM Mirage for more than \$600 million if the board allows the casino to open.

But it is unclear if the board will allow the sale.

The mayors who spoke out Thursday said they don't care who Emerald sells to, they just want the issue resolved so the cash can start flowing into their towns.

"Find someone else. We want our money," Melrose Park Mayor Ron Serpico said. "We don't care what organization is in there. ... There's no preference on who gets it. ... Were saying to the gaming board: Get off center. Do what you have to do, and do your job."

The mayors said they want the money to build roads, hire police officers and buy fire trucks. Said Stone Park Mayor Ben Mazzulla: "We have two fire engines. One is dead. And one is over 25 years old."

Gaming board officials wouldn't comment on the group's demand.

The group of 71 communities includes Bartlett, Hanover Park, Hoffman Estates and Palatine. Of those towns, only Bartlett's leader, Village President Catherine J. Melchert, attended the event. Her town stands to get \$98,000 a year from the gaming taxes, and she also urged the board to act quickly.

But not every mayor or village president from the group of 71 suburbs supported Thursday's move. Hoffman Estates' Bill McLeod, who became village president after his village signed the pact, said it wasn't his place to tell the gaming board how to act.

"I'm not going to presume to tell the gaming board what to do," he said. "I really don't think they should be pressured into making a decision."

Hoffman Estates stands to get \$365,000 annually from Rosemont gaming tax revenue. Palatine would get \$450,000 — cash Mayor Rita Mullins would love to use for a community center on the village's north-east side or for more police.

"They think we are all very wealthy and we have no problems in the Northwest suburbs," said Mullins, who supported the other mayors' move Thursday but was out of town and couldn't attend.

"But we do have areas that need extra attention, and I'm hoping that this revenue sharing will help us in some of those areas of need."

Emerald attorney C. Barry Montgomery said he is still waiting to hear back from the gaming board on the MGM deal, but was pleased to hear of the mayors' support.

"On behalf of Emerald, I'm delighted to see the mayors are taking this position," he said.

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Indicate page, name of newspaper, city and state.)

DAILY HERALD
ARLINGTON HEIGHTS, IL.

Date: Wed. 2/27/02

Edition:

Title:

Emerald-MGM deal still alive, gaming official says

Indexing:

BY SHAMUS TOOMEY

Daily Herald Staff Writer

Although the six candidates running for governor have spoken out against it and federal authorities appear interested, Emerald Casino's deal to unload its gaming license to MGM Mirage is still alive and being considered, the Illinois Gaming Board's administrator indicated Tuesday.

"Right now the gaming board is trying to do its job," administrator Philip Parenti said. "It's not going to be deterred by any subpoenas and it's not going to be deterred by any politics. Nothing like that is going to have a chilling effect on the mission of the

board to do what's right."

Parenti did not reveal how receptive the five-member gaming board has been to the buyout he is negotiating between Emerald and MGM, but he did say the board unanimously told him to pursue a settlement after Gov. George Ryan appointed him last November.

"All I've ever done was implement the mandates of the board," Parenti said. "I started my job Nov. 16. ... One of the first things they told me was, 'Re-institute settlement discussions with Emerald.'"

A deal would end a stalemate that began in January 2001 when the board — including four members who have since been replaced by

Ryan — rejected Emerald's plan to move into Rosemont. The panel claimed Emerald executives lied to them and tried to sell shares to people with organized crime ties.

Emerald is appealing the rejection, a process Parenti said could take five years to resolve. A settlement appeared to be a solution to oust the Emerald owners, but the gaming board blasted Emerald's early talks with MGM Mirage as "unacceptable" last summer.

Parenti jump-started the talks, however, and hammered out a tentative deal that would send some \$160 million to the state. Parenti Tuesday said word of the negotiations leaked out prematurely.

"I wasn't finished negotiating," he said. "This is not some kind of consummated settlement. And the board has yet to fully consider all of the ramifications of it."

Word of the more than \$600 million deal sparked anger, with critics saying the Emerald owners should not be allowed to profit from being rejected by the board. The governor candidates blasted it, and federal prosecutors subpoenaed all records associated with the project.

The board, in part, is still trying to determine if Rosemont is a suitable location, Parenti said.

The board has already claimed that a company with mob ties worked on Emerald's proposed site.

And scrutiny has also fallen on Mayor Donald E. Stephens, who has sought to distance himself from a former friend whom the gaming board named as one of the proposed Emerald shareholders with ties to organized crime.

Parenti said he encouraged Emerald to negotiate a sale that might include another location or another buyer, but he said Emerald negotiator William J. Kunkle didn't offer any other options.

Emerald officials could not be reached for comment. MGM Mirage spokesman Alan Feldman agreed the deal is still on the table, but was not reading anything into Parenti's comments.

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(Indicate page, name of newspaper, city and state.)

Chicago Tribune
Chicago, ILDate: 2/27/02
Edition:Northwest Metro
Title:

Gaming chief pushes deal in Rosemont

By Douglas Holt
Tribune staff reporter

Undaunted by a federal investigation or a barrage of political criticism, Illinois Gaming Board Administrator Philip C. Parenti vowed Tuesday to continue efforts to strike a deal with Rosemont casino backers.

"The Gaming Board's trying to do its job," Parenti told reporters after a Chicago meeting Tuesday. "It's not going to be deterred by any subpoenas, and it's not going to be deterred by any politics. Nothing like that is going to have a chilling effect on the mission of the board to do what's right."

Since his appointment three months ago, Parenti has made a top priority of reaching a deal with Emerald Casino Inc., which was found unfit to hold a gambling license last year because top officials allegedly lied to state regulators, sold casino shares to two people with alleged mob ties and hired a mob-connected waste hauler.

Parenti has orchestrated ne-

PLEASE SEE "CASINO," PAGE 5

CASINO: MGM Mirage has offered \$615 million

CONTINUED FROM PAGE 1

gotiations over a proposal pushed by Donald Flynn, a former Waste Management executive who headed Emerald Casino's investor group, and his son, Kevin, Emerald's CEO. That deal would allow Las Vegas-based MGM Mirage Inc. to buy Emerald's contested license for \$615 million.

More than \$450 million would go to the investors and \$160 million would go to Illinois to settle the legal battles over the board's refusal to grant a casino license.

Shortly after the proposal was publicized last month, federal authorities issued a subpoena demanding all records connected to the casino.

The proposal has become an issue in the race for governor, with all six candidates voicing opposition to allowing Emerald owners to reap a windfall from such a settlement. A recent Tribune/WGN poll showed voters oppose the casino bailout 2-1.

Atty. Gen. Jim Ryan, a Republican candidate for governor, said his office would consider taking action to block a settlement if the Gaming Board approved it.

"There are legal options that

we've researched that he would strongly consider employing if the board would proceed with the sale," Ryan spokesman Dan Curry said Tuesday.

Parenti, a former criminal defense lawyer and prosecutor, said he was uncertain of whether Ryan's office had such powers. "We have certain special assistant attorneys general working on the case, but that doesn't mean the attorney general necessarily has the legal authority to approve or block any settlement," he said.

Meanwhile, Emerald shareholder Al Johnson, who attended the Gaming Board meeting,

[The Gaming Board is] not going to be deterred by any subpoenas, and it's not going to be deterred by any politics.'

—Administrator Philip C. Parenti

said he hoped a settlement offer made by 21 minority shareholders, including himself, would gain support. His group wants to sell to MGM without a profit, leaving a potential \$500 million windfall for the state.

Johnson expressed shock at the casino's continuing woes.

"If the state legislature thought it was necessary to include local buyers, we felt pretty secure," he said. "This is not some corner business. I've never been in a mess like this."

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Parenti says Gaming Board won't be deterred in Rosemont talks

3/7/02
LEARNER
TIMES

CHICAGO (AP) — Neither federal investigations nor political promises are going to stop the Illinois Gaming Board from considering all options in a legal fight over a proposed casino in Rosemont, board administrator Philip Parenti said Tuesday.

"Right now the gaming board's trying to do its job. It's not going to be deterred by any subpoenas, and it's not going to be deterred by any politics," Parenti said after the board's monthly meeting.

The administrator has been meeting with representatives of Emerald Casino, its investors and lawyers to talk about the possible settlement of a case involving the board's denial of a license to the company.

The gaming board rejected Emerald's license application a year ago, alleging that top officials had lied to investigators and that some investors were tied to the mob. The company appealed.

Since that decision, Gov. George Ryan has replaced four of five board members. Parenti was hired as administrator in November, and he said members instructed him to resume stalled negotiations with Emerald.

He put together a proposal to let Las Vegas casino giant MGM Mirage buy the license for about

\$600 million, with Emerald paying more than \$150 million back to the state.

That proposal got leaked to the media before he was done negotiating, Parenti said.

"This is not some kind of consummated settlement, and the board has yet to fully consider all the ramifications of it," he said.

In addition, a federal grand jury issued a subpoena to the gaming board last month demanding all records relating to the Emerald proposal. Federal prosecutors have declined to comment on the request.

Parenti said Tuesday that state and local government stands to lose \$150 million a year in tax revenues for each year the Emerald case is tied up in court. More than \$60 million of that would be diverted to the horse racing industry under state law.

Jack Roeser, president of the Family Taxpayers Foundation, told the board that politically connected investors and race-track owners should not be allowed to profit from a Rosemont casino. He urged the board to let the case play out.

"These are gamblers," Roeser said of the Emerald investors. "Let them take their losses and say goodbye."

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phc

Suburban Mayors call on Gaming Board to OK casino

CHICAGO (AP) — A group of suburban mayors on Thursday called on the Illinois Gaming Board to award a gaming license to the Emerald Casino in Rosemont.

Rosemont promised 71 other suburbs a share in more than \$13 million a year in gaming revenues from the proposed casino. The promised revenues range from nearly \$100,000 for McCook to nearly \$500,000 for Evanston, according to the West Central Municipal Conference.

Elmwood Park, Harwood Heights, Norridge and River

Grove are part of that revenue-sharing agreement.

"The gaming board needs to get this thing settled, award a license, and let's move on," Northlake Mayor Jeffrey Sherwin said at a news conference in downtown Chicago.

Country Club Hills Mayor Dwight D. Welch said two of the poorest municipalities in the country, Ford Heights and Robbins, each have an opportunity to get more than \$100,000 a year in new revenues.

The mayors said the money

could help pay for things ranging from fire engines to senior citizen programs.

"We implore the gaming board to effectuate a deal so we can get the money for our communities," Mayor Ronald M. Serpico of Melrose Park said.

The Gaming Board rejected Emerald's bid for a license last year, claiming that some proposed shareholders had ties to organized crime and that top Emerald officials lied to investigators. Emerald denied the charges and sued the Gaming Board.

Gov. George Ryan has since replaced four of the five members who took that vote, and board administrator Sergio Acosta left the board last fall.

Meanwhile, the company has worked out a \$600 million deal to sell the casino to Las Vegas-based MGM Mirage Inc., with the state receiving \$150 million from the settlement, according to published reports.

Federal prosecutors have subpoenaed records on that deal, and the Gaming Board has to decide on the agreement.

Gaming panel rejects MGM's Rosemont deal

Officials may start again from scratch

By Douglas Holt
Tribune staff reporter

The Illinois Gaming Board announced Friday it has rejected a \$615 million offer by Las Vegas-based MGM Mirage Inc. to buy out the beleaguered Emerald Casino and now wants to reopen the process for finding an operator for the proposed casino in Rosemont.

On the same day, Rosemont filed suit against the Emerald and its top owners, Donald and Kevin Flynn. The suit alleges the Flynn's were required to use their "best efforts" to gain approval from the Gaming Board for the casino, but torpedoed the process by making false statements and misrepresentations under oath that ultimately led the board to find them unsuitable to hold the license.

"Rosemont has lost, and will continue to lose, hundreds of millions of dollars as a result of Emeralds' and the Flynn's wrongful conduct," said the suit, filed in Cook County Circuit Court.

Both actions heightened the controversy surrounding the Rosemont casino, which has now generated five lawsuits as well as a legal proceeding that will culminate in May when the Gaming Board is expected to detail Emerald's alleged misdeeds before a hearing officer.

Rosemont's lawsuit has been long expected because Mayor Donald Stephens has been complaining for more than a year that the Emerald failed to meet its obligation to pay for a \$40 million parking garage.

But the Gaming Board's rejection of the MGM buyout, delivered in a statement read by administrator Phil Parenti, caught many off-guard.

PLEASE SEE CASINO, PAGE 21

194B/CJ 114999 NC — 71

psc

CASINO: Rejected deal catches many by surprise

CONTINUED FROM PAGE 1

"The board has rejected the current MGM proposal and is considering its own counterproposal, which is encouraging a process where other candidates, including MGM, can participate as part of a settlement agreement," Parenti said in the statement, declining further comment.

"I've got to tell you, I'm shocked," said Larry Suffredin, a Chicago lawyer just nominated to the Cook County Board who represents MGM Mirage.

He said he was flabbergasted because the Gaming Board's rejection came even though there has been no public discussion of the proposal.

Suffredin said any attempt to open the process to other suitors may invite yet another lawsuit, because Emerald entered into an oral, unsigned contract to be bought by MGM.

Emerald lawyer C. Barry Montgomery expressed disappointment at the setback but said he remained optimistic that the board was still interested in reaching a settlement.

"We have an agreement for \$615," he said, referring to the \$615 million price tag for the state's coveted 10th casino license. "I'm not sure Emerald can go anywhere. Rather than clarifying things, it looks like this is going to create more litigation."

if one was approved by the Gaming Board.

The first inkling that the board had turned against the proposal came in Illinois Gaming Board letters this week barring two African-American activists in Las Vegas from speaking to the board at its meeting Wednesday regarding what they claim are discriminatory hiring practices by MGM Mirage.

In a letter, board spokesman Gene O'Shea wrote that "there is no proposal or issue concerning MGM-Mirage that is before the Illinois Gaming Board or is being considered by the Illinois Gaming Board at this time."

Settlement had been touted

For two months, Parenti has touted a settlement with Emerald as the best option for the state. He has repeatedly emphasized his efforts to negotiate a \$160 million payment to the state as part of MGM's proposed \$615 million buyout of Emerald, and he has never expressed concern about the process by which Emerald and MGM came to their agreement.

As recently as last week, Parenti defended the proposed settlement to an Illinois House subcommittee, including its most controversial aspect: that the agreement would mean hundreds of millions of dollars will be paid to a group that allegedly lied under oath to casino regulators and sold casino shares to two people with alleged mob connections.

He emphasized that under Illinois law, casino licenses are not state property, but belong to private casino owners "unless and until we take it away from them."

But the process for revoking a license is so cumbersome that it will take five years for the state to regain control of the license, he said. In the meantime, he said, the state will lose hundreds of millions in tax revenue.

"The naysayers of the settlement is that the wrongdoers are going to get all the money," he told lawmakers last week at a hearing in Springfield. "I want to remind the committee that nobody in the history of this state who has sold a casino, who has sold a license, has walked away with anything but fair market value."

Plan always controversial

The settlement has remained controversial almost from the time it was first proposed. Illinois Atty. Gen. Jim Ryan, who won the Republican nomination for governor this week, has indicated he may block a settlement

...were looking for a motive, but had found none. Neighbors, court records and a file at the Illinois Department of Children and Family Services paint a picture of a troubled home that often was the site of domestic disturbances. Tomas Bahena, a school custodian in Northlake who had been living in River Forest, seemed to be working with authorities to sort out the family's problems, police said.

In recent months, officers had been at the Glendale Heights home almost weekly, neighbors said, breaking up squabbles between Andrea Bahena and her children. DuPage County records show Andrea got an emergency order

PLEASE SEE FAMILY, PAGE 6

government plans to seize if it wins a conviction.

In a sometimes heated exchange in court with prosecutors, lawyers representing the Citizens for Ryan campaign committee scoffed at the government's allegations but agreed that sizable withdrawals wouldn't be made from the fund without the government's permission.

At an arraignment in federal court, lawyers for the campaign fund also disclosed they had traveled to Washington in the days before the indictment in an unsuccessful attempt to talk Justice Department officials out of bringing charges.

Joining the effort was G. Robert Blakey, a professor at the University of Notre Dame Law School who drafted the

Tribune photo by Chuck Berman
Scott Fawell leaves court after pleading not guilty to racketeering charges.

federal racketeering act and believes the government's unprecedented use of the law against a political campaign committee is over-reaching, said Mark Flessner, an attorney for Citizens for Ryan.

Blakey has been hired as co-counsel in the case, Flessner said.

PLEASE SEE FUND, PAGE 6

Casino group ups its offer for an OK

By Douglas Holt
 Tribune staff reporter

Emerald Casino officials offered Tuesday to hand the state \$300 million as part of a new push to convince Illinois regulators to approve a casino in Rosemont.

The proposal, delivered in a letter to the Illinois Gaming Board, nearly doubles the \$160 million casino officials offered in a failed effort to settle allegations that top Emerald officials lied to state regulators and sold casino shares to people with ties to organized crime.

Gaming Board Administrator Philip C. Parenti declined

to comment on the latest proposal for divvying up \$615 million that Las Vegas gambling giant MGM-Mirage Inc. has offered to pay for a license to build a casino.

Emerald Casino Inc., headed by former Waste Management executive Donald Flynn and his son Kevin, formerly ran a failed casino near Galeana. The company persuaded lawmakers in 1999 to grant them exclusive rights to move to Rosemont under a controversial gambling law.

But the deal foundered last year when the Gaming Board found the Flynn's unsuitable

PLEASE SEE CASINO, PAGE 2

INSIDE

REGION & STATE

Fire claims church deacon's life

Early-morning apartment blaze on Chicago's South Side also displaces 25 people. PAGE 3

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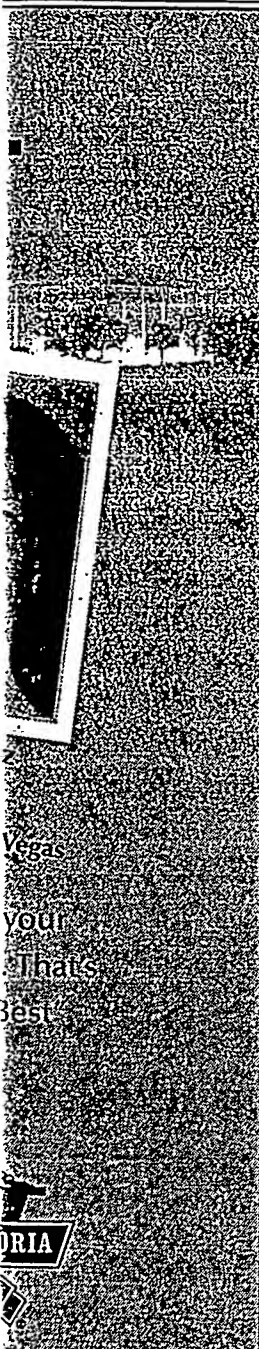
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beyond words



The lower assessment on large apartments will in effect shift the tax burden to the owners of other properties such as small apartment buildings, single-family homes and businesses. But proponents of the measure said Tuesday that the shift is so incremental—the large apartments total only 6.8 per-

condominium conversions. Officials said this has created a shortage of moderately priced rental units.

"These classification changes will encourage rehabilitation and development of rental housing for working families," Cook County Board President John Stroger said.

CASINO: Legal matters are looming for Emerald

CONTINUED FROM PAGE 1

for a casino license.

Under the proposal, the Flynns would pay a disproportionate share to the state. All Emerald shareholders, including the Flynns, would pay \$250 million, but the Flynns would pay an additional \$50 million, sources said.

Also, two shareholders with alleged mob ties would not be allowed to profit.

In a recent interview with the Tribune, Emerald CEO Kevin Flynn said his family wants a "fair return" for roughly \$40 million they have sunk into the casino company.

The latest proposal would leave the Flynns with more than \$100 million before taxes and a profit of roughly \$50 million after taxes and expenses are accounted for, said a source familiar with the negotiations.

The latest pitch by Emerald comes at a critical time. Two legal matters are rapidly coming

to a head. A lawsuit Emerald filed last year seeking to force the state to grant it a casino license is expected to be heard, and possibly decided, this month. Next month marks the start of a potentially damaging appeal in which the state will lay out why it accused Emerald directors of wrongdoing—a process Emerald would like to avoid.

Meanwhile, federal prosecutors are investigating the proposed casino buyout, as well as Nick S. Boscarino, one of two casino shareholders with alleged ties to the mob.

The new proposal also swings a spotlight onto Atty. General Jim Ryan, the Republican candidate for governor. While seeking his party's nomination, he spoke out against any deal that would give the proposed casino's politically connected investor group windfall profits. He also said any sale should not preempt the appeal process set to begin in May.

Late Tuesday, his spokesman, Dan Curry, said Ryan's position had not changed.

"If an attempt is made to do this prior to the revocation process, he would strongly consider using the powers of the attorney general to block the sale," Curry said.

But one casino shareholder, part of a group of minority and women owners required by state law, said the proposal would reduce profit to alleged wrongdoers while giving the state a sweeter deal.

"They're getting there," shareholder Al Johnson said. "To me, in view of the fact the state has a huge deficit, if we can come with \$300 million to give to the state, boy, what a help that would be to 3,000 or 4,000 people they're talking about laying off. This makes good sense."

Anti-gambling activist Tom Grey said Gaming Board officials have redefined their charge to maximize state revenues rather than regulate casinos as envisioned by state law.

HOW TO CONTACT US

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DAILY HERALD
MON. 4-15-02

Gaming Board member resigns

BY BETH SNELLER

Daily Herald Staff Writer

More than two years before his term expired, one of Gov. George Ryan's controversial appointments to the Illinois Gaming Board has resigned.

Robert Mariano, the former CEO of Dominick's Finer Foods who was appointed to a three-year position on the gaming board last July, gave up his post last week to take a position as the CEO of Roundys, a food chain in Milwaukee.

"I was very impressed with the quality of the work and the staff of the Illinois Gaming Board," the Chicago man said in a prepared statement. "It

was a pleasure working with the staff and the board."

When Ryan first removed two lawyers from the five-member board and appointed Mariano and Chicago real estate developer Elzie L. Higginbottom to take their place, critics said he was stacking the board so the proposal for the Rosemont casino would go through.

They called for a withdrawal of the nominations. But the appointments of both Higginbottom and Mariano were approved by the state Senate in November.

Illinois Gaming Board spokesman Eugene O'Shea said he doesn't know when Ryan plans to appoint Mariano's replacement.

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4/16/02

194B-CG 114999-NC-73

DAILY
HERALD

10/16/02

MONDAY, APRIL 15, 2002

New casino offer still misses the mark

No deal. That's what the Illinois Gaming Board should say to Emerald casino investors, who are trying to up the ante in order to win state approval of the proposed sale of their proposed Rosemont casino to MGM Mirage.

Lead investors Kevin and Donald Flynn have now offered to give the state \$300 million of their proposed \$615 million sale to MGM Mirage. That kind of cash infusion certainly would help a state that desperately is trying to plug an estimated \$800 million hole in this year's budget. A previous sale proposal would have sent about \$160 million to the state treasury.

Trouble is, this latest arrangement would, according to published reports, still let the Flynn's walk away with an estimated \$100 million above their original investment.

Don't misunderstand. There's nothing wrong with investors realizing a healthy capital gain if they've managed and grown a business successfully and increased its market value to any prospective buyers.

But the Emerald's investors have done no such

Our View

The list of reasons for the state to deny Emerald's investors any profit on the sale of the casino is long — and growing.

thing. To the contrary. The list of reasons for the state to deny Emerald's investors any profit on the sale of the casino is long — and growing.

For openers, the Flynn's stand accused of lying to the Gaming Board staff and of letting people with organized crime connections into the circle of investors.

Although Emerald's investors hold a casino license, they have not come even close to meeting the requirements for actually opening a casino, and the Gaming Board is beginning the process of trying to take the license away because investors have so thoroughly botched the arrangement.

But that's not all. Rosemont is suing Emerald for failing to deliver on its part of the plan to bring a casino to the village. Emerald's own minority investors have argued that the majority investors are not entitled to any return above their initial investment.

And federal authorities, in the form of the U.S. attorney's office, are sufficiently wary about some aspect of the Emerald's operations that they have subpoenaed from the Gaming Board any and all records having to do with the Emerald's proposed casino operation.

And against this backdrop, Emerald's primary investors think they're entitled to a large return on investment if only they give the state a bigger piece of the action?

Brazenness of this scale would be entertaining in a work of fiction. In the real world, it must be rebuffed in no uncertain terms.

No matter how much the state could use \$300 million from the sale, the Gaming Board must, on principle, block any deal that would result in windfall profits for Emerald's investors.

194B-CG-114999-NC-74

Casino owners sweeten offer to state

\$300 million would be paid to let MGM operate in Rosemont

BY CHRIS FUSCO
STAFF REPORTER

The embattled owners of a partially built casino in Rosemont are offering the state \$300 million—nearly double their initial proposal—to end the legal logjam that threatens to stall the project for several more years.

Emerald Casino Inc. detailed its latest offer in letters hand-delivered late Tuesday afternoon to members of the Illinois Gaming Board, which last year declared the company unfit to operate a casino in Illinois. The board seriously has been considering a buyout plan pitched by Emerald amid lawmakers' concerns about the state's budget deficit, which is tabbed at upwards of \$1 billion.

The board in January 2001 cited misleading statements by two of Emerald's top owners, Kevin and Donald Flynn, plus alleged mob ties by two other shareholders, in rejecting its Rosemont casino plans. Emerald has been appealing that decision while, at the same time, seeking the board's approval of a \$615 million proposed buyout by MGM Mirage Inc. of Las Vegas.

"Acceptance of the settlement offer would allow an approved, li-

censed casino operator to open in Rosemont within six months, creating up to 1,500 jobs, providing a \$300-million lump-sum payment, and beginning the flow of tax revenue," Emerald attorney C. Barry Montgomery wrote to the Gaming Board's five members. "Rejection of the proposal leaves the company no choice but to litigate."

Emerald officials declined to comment about the letter, a copy of which was obtained by the Chicago Sun-Times. Under proposed terms of the settlement, Emerald as a corporate entity would pay \$250 million of the MGM sale proceeds to the state. The Flynns would pay \$50 million on top of that.

Based on the proposed sale price and after legal bills, escrows and other expenditures, the deal would leave the seven members of the Flynn family—who own more than half of the company—with proceeds of about \$115 million. The Flynns have invested \$39.5 million so far. Fifty-plus other shareholders in the company would split \$150 million.

Shareholders identified as having alleged mob links would not profit, but would be reimbursed what they invested.

Leading gambling critics decried the proposal as too generous to Emerald.

"If [Gaming Board Administrator Philip] Parenti and the board's major concern is how to take care of the taxpayers of Illinois, they've

overstepped their bounds," said the Rev. Tom Grey, who heads the National Coalition Against Legalized Gambling.

Gene O'Shea, a spokesman for the Gaming Board, declined to comment on Tuesday's proposal.

The board on March 22 issued a statement saying it had rejected the proposed MGM buyout and was "considering its own counter-

proposal" regarding Emerald. But the board in another statement the following week appeared to back away from that stance, with MGM attorney Larry Suffredin saying the company still has a shot at taking over the Rosemont project.

Rosemont Mayor Donald E. Stephens said he hopes the Gaming Board approves the MGM buyout despite his concerns about the

Rosemont casino providing more money to the horse-racing industry than to the state. Stephens had said he would block the casino from coming to Rosemont if lawmakers didn't change that formula.

While that change looks unlikely for now, "We've got to solve one problem at a time," said Stephens, explaining why he would support the MGM takeover.

MS 11/16/02

194B-C6-11499-NK-75

Gaming Board is changing rapidly

New members on panel might boost Rosemont chances

By CHRIS FUSCO
STAFF REPORTER

With negotiations heating up to settle the main legal battle that's blocked a casino in Rosemont, the makeup of the state panel that controls the project's fate is soon to change—again.

Last week's resignation of Illinois Gaming Board member Robert Mariano leaves a vacancy on the five-seat panel, which has seen a nearly complete turnover since January 2001, when it rejected Emerald Casino's request for a license to operate a casino in Rosemont. Only Gregory Jones,

the board's chairman, remains.

And Jones could be on his way out. His term expires June 30, and Gov. Ryan has declined to reappoint board members to second terms.

Jones and Mariano had given a chilly response to a proposed \$615 million buyout of Emerald by MGM Mirage of Las Vegas that would have MGM take over the unfinished casino off I-294 in Rosemont, knowledgeable sources said.

Emerald representatives this week had their first meeting in several weeks with Gaming Board officials, signaling that the board at least wants to learn more about the company's pitch to pay the state \$300 million from proceeds of the proposed MGM sale. Though Emerald is appealing the state's finding that it was unfit to hold a

casino license because of alleged mob ties by two of its investors and lies by its top management, the company wants to avoid a costly court battle over the state's last-available casino license that could take several years.

Gaming Board spokesman Gene O'Shea declined to comment about the meeting.

C. Barry Montgomery, an Emerald lawyer, would say only, "Yes, I am meeting with officials of the Gaming Board, but I have no comment with respect to the negotiations."

If those talks continue into the summer, it could be a Gaming Board with a very different makeup deciding on the MGM deal. Besides Jones, board member Tobias Barry's term expires at the end of June, which could give the board three new members. Barry,

a former state representative and judge, in November had assumed the term of lawyer Stuart Levine, who resigned about two months earlier.

Ryan spokesman Dennis Culloton said Thursday the governor has no timetable for when he'll replace Mariano, a former Dominick's supermarket chain chief executive officer who quit the state board to devote his attention to a new job as chief executive of Roundy's Inc., a Wisconsin grocery wholesaler. And Culloton said the governor hasn't made up his mind about whether to keep Jones and Barry.

Last summer, Ryan didn't reappoint two board members who had asked to stay on—lawyers Mac Ryder and Staci Yandle. At the time, Culloton said, "The governor has a policy of never reappointing

anyone to a second term on the Gaming Board."

Jones isn't ruling out a second term, though he said he hasn't talked with Ryan about his future.

"I've been thinking about it," said Jones, a lawyer and former federal prosecutor. "It takes a lot of your time, yet you're doing things that are, hopefully, in the public interest."

Ryder, who served 18 months on the Gaming Board before his term expired last summer, said Jones and Barry should be kept on.

"Turnover on the board is not constructive," said Ryder. "Those are very complicated issues, and there is a tremendous amount of reading before the board takes action. . . . I don't think it serves the board or state well to be playing this game of, should we say, musical chairs."

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4/19/02

Chicago Tribune

4-23-02

gain three days of my life by ing and testing. I had a recurrence of the pain the next night but no other symptoms and felt good enough to write columns from bed. I took an angiogram, in which Nequin's colleague Dr. R.K. Guliani squirted dye into my heart through a catheter and took X-rays; and, a few weeks later, a full stress test, in which Nequin used radioactive imaging and other monitoring to see how well my heart functioned at rest and during and after exercise.

Numerous electrocardiograms revealed a form of faulty wiring in the electrical circuitry called a right bundle-branch block. This can occur in otherwise healthy hearts, which compensate for it by re-routing the electrical impulses the long way around. The angiogram found that my cardiac arteries are clear but that one dips briefly into part of the heart muscle and slightly restricts the blood flow as the heart beats. This is called a myocardial bridge and, like the electrical block, not worth treating and almost certainly unrelated to my ambulance ride.

The stress test found a small area at the tip of my heart that appears to have inadequate blood flow. This is possibly a defect that has been with me since birth, possibly a false finding caused by interference from stomach muscles or possibly the result of scarring from a minor heart attack. A re-test in the fall will give us a better idea, but blood tests have pointed away from a heart attack.

Nequin's best guess is that I suffered something called Prinzmetal angina—also known as nocturnal or variant angina—that's essentially a muscle spasm in an otherwise healthy coronary artery. It's hard to predict, hard to diagnose and not particularly alarming in the long term. And it gets more sympathy than indigestion, panic attack or a bid for attention, all of which remain possibilities.

Whatever it was, if it hadn't happened, I'm sure I would have put off seeing a cardiologist for years, even decades. One reason is that American Heart Association is vague in its recommendations for diagnostic testing.

Instead of promoting the idea that men by age 45 and women by age 55 should check their tickers with a baseline exercise stress test (even those who have none of the six major risk factors—smoking, obesity, sedentary lifestyle, high blood pressure, elevated cholesterol and diabetes) as the American College of Sports Medicine does, the AHA offers exhortations about exercise and diet.

This is a source of frustration for Bufalino. He knows that most of us need specific instructions and deadlines for taking care of ourselves. The sad truth is that hundreds of thousands of people will die early because they aren't lucky enough to wake up in the middle of the night with a gripping, throbbing, terrifying false alarm.

on death-engineer

Ryan sees it only for 'worst of worst'

By Rick Pearson
Tribune political reporter

Illinois candidates for governor differ sharply on whether to curtail the number of crimes punishable with the death penalty as recommended by Gov. George Ryan's commission on capital punishment.

In written statements to Tribune editorial board Democrat Rod Blagojevich said he opposed scaling back the current death-penalty statute, while Republican Jim Ryan said he supports narrowing the eligibility for capital punishment with a goal to "execute the 'worst of the worst.'"

In issuing their recommendations on the death penalty after two years of work, members of the governor's

Rosemont casino now faces suit, lien

By Mickey Ciokajlo and Michael Higgins
Tribune staff reporters

Stymied by state regulators and struggling to recoup its investment, Emerald Casino was sued Monday by contractors hired to build the gaming complex in Rosemont who say they are owed \$2.2 million for work already performed.

Degen & Rosato Construction Co. of Rosemont and Power Construction Co. of Schaumburg filed a mechanic's lien against Emerald Casino and the village of Rosemont in Cook County Circuit Court.

The companies, working as a joint venture on the project, also sued Emerald for breach of contract and fraudulent misrepresentation.

Emerald's lease with Rosemont specified that the general contracting work on the project go to Degen & Rosato and Power. Degen & Rosato has close ties to Rosemont Mayor Donald Stephens and did more than \$50 million of construction work in the village from 1999 through 2000.

Emerald and the construction companies entered into a letter of intent in October 1999

PLEASE SEE CASINO, PAGE 6



Maria Gonzalez directs 60 construction project

Roadwork Construction snarls traffic in city, suburb

By Nancy Ryan
Tribune staff reporter

Adele Auerbach has lived in Buffalo Grove long enough to know the best alternate routes during road construction season, but the nurse said she has run out of options.

"There's no way to get anywhere except by helicopter," said Auerbach, 44.

194B-CG-114999-NC-27

CASINO:**Fraud alleged
in suit against
Emerald**

CONTINUED FROM PAGE 1

and ground was broken on the casino before state regulators granted their approval of the project.

In February 2000, the Illinois Gaming Board threatened to issue a cease-and-desist order to halt construction. At that time, company officials said they had already spent \$10 million on the project.

The Gaming Board rejected Emerald's bid last year and recently its investors have been urging the state to settle the ongoing disputes over the project. Monday's lawsuit adds one more problem to the mix.

The construction companies are asking for a judge to order an accounting to determine how much money they are owed. They claim the amount is \$2.2 million. The companies also seek to have the first lien on the leasehold and to have their financial claim protected in the event the leasehold is sold.

Rosemont has leased the casino property to Emerald. To place a lien on Emerald's interest in the lease, the construction companies have to name anyone who has an interest in the property as defendants, said Peter Rosenthal, village attorney for Rosemont.

"We're named because it's a technical requirement under the law," Rosenthal said. "The village is not on the hook for the money."

Lawyers for the Emerald and the construction companies declined to comment.

The lawsuit also alleges fraudulent misrepresentation against Emerald, saying the casino group was "significantly undercapitalized" while work progressed. The lawsuit alleges Emerald representatives devised a plan to mislead the construction companies into believing they would get paid promptly for their work.

"Emerald made these false promises, representations and statements to the joint venture as part of a plan to induce the joint venture to begin and continue working on the project," the lawsuit says.

**Wacker**

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Wheeling polic seeking a local n 14 stabbing deat old man, accordi A Cook County approved an arr first-degree mur Alfredo Hernan

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Northwest Focus

WEDNESDAY, APRIL 24, 2002

Illinois

DAILY HERALD SECTION 1 PAGE 13

Gaming board kills latest casino proposal

BY SHAMUS TOOMEY

Daily Herald Staff Writer

The Illinois Gaming Board has rejected Emerald Casino's latest proposal to sell its troubled project to MGM-Mirage, but has left the door open to more negotiations that could lead to a deal, Emerald and MGM officials said Tuesday.

The two gaming companies agreed in principle months ago to a \$615 million sale of the Rosemont project, which has sat idle for two years. But Emerald has yet to find a plan palatable to the gaming board,

which found Emerald's owners unfit to own a casino last year and is trying to revoke the company's gaming license.

Emerald has steadily increased the amount of its sale profits that would be given to the state to convince regulators to sign off. The latest offer was for \$300 million to go to the state. The board rejected that last week, Emerald attorney C. Barry Montgomery said.

He would not disclose the reason given for the rejection, but said negotiations are ongoing with the board in an attempt to work out a

new deal.

"I think it's to everyone's benefit to get this resolved as soon as possible," Montgomery said.

MGM attorney Cezar Froehlich said he believes the stumbling block continues to be how much Emerald would give the state. Froehlich, who has not been at the negotiating table, said he believes the board does not have an issue with allowing a casino in Rosemont, the town run by Mayor Donald E. Stephens, who has been accused of being too close to organized crime figures.

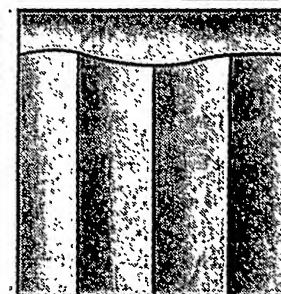
Stephens disputes those allega-

tions and has filed a defamation suit against a former Chicago Crime Commission investigator who testified against him before the gaming board last year.

"My understanding is they (the board) cleared that hurdle many months ago," Froehlich said. "Now it's just a dollar issue."

Gaming board chairman Gregory Jones and spokesman Gene O'Shea declined to comment.

A hearing on Emerald's appeal of the revocation of its license is scheduled to begin May 20 and last at least six weeks.



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NORTHWEST

THURSDAY

APRIL 25, 2002

NW

Village fumes as new casino offer rejected

**Rosemont mayor
blasts board bid
to control location**

By Douglas Holt
Tribune staff reporter

Illinois Gaming Board officials have rejected the latest buyout offer for the troubled Emerald casino project and are insisting that any deal preserve the board's option to site a new riverboat somewhere other than Rosemont, officials of the northwest suburb said Wednesday.

Rosemont Mayor Donald Stephens assailed the board's stand as unlawful and unworkable, and said it would immediately hit a legal roadblock because the village has a contract with the Emerald to land a new casino.

"This is getting to the point of asininity," he said.

The Gaming Board denied Emerald Casino Inc. permission to open a casino in Rosemont and moved to revoke its license in January 2001, alleging top officers of the would-be casino company lied to state investigators and sold shares to two people with ties

to organized crime.

An administrative hearing is scheduled next month in which Emerald will seek to overturn the action. As the hearing approaches, Emerald officials have stepped up efforts to reach a settlement that would allow the sale of the license. Las Vegas casino giant MGM-Mirage Inc. earlier this year offered to buy the license for \$615 million, with \$160 million earmarked for the state.

The board rejected that deal, but Emerald recently came back with a proposal to turn over as much as \$350 million of the sale proceeds to the state in an attempt to overcome the objections of regulators, sources close to the negotiations told the Tribune.

That too, was turned down by board negotiators, with the primary sticking point appearing to be the casino's once-presumed location, Rosemont. The Gaming Board has not ruled Rosemont in or out, but is resisting any commitment to give the village a green light as part of a deal, sources said.

PLEASE SEE CASINO, PAGE 6

Schools invest in pupils early

photo by Chris Walker
ingfield, would

NW
4/29/02

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CASINO: Stephens is seeking explanation

CONTINUED FROM PAGE 1

Stephens said it appeared to him as if Rosemont had been rejected without public debate or explanation.

"I'd like the board to tell me why," he said. "I'd love to debate them on it. What has Rosemont got to do with that gosh-darned casino?"

Gaming Board Administrator Philip C. Parenti and board Chairman Gregory Jones declined to comment, as did Emerald lawyers William Kunkle and C. Barry Montgomery.

The latest negotiations occurred Tuesday in the offices of Robert E. Shapiro and Richard Saldinger, lawyers hired by the board to handle the Emerald matter. Parenti was at the session, across from Kunkle and Montgomery for Emerald.

But Shapiro rejected the Emerald offer, saying, "You have not heard what I said," Stephens and sources said.

The only public discussion by the board about Rosemont was last year when it denied Emerald its license. The board at the time appeared to go out of its way to avoid criticism of

Rosemont as a location, ignoring critics who argued the board should reject Rosemont as a casino location because of business relationships Stephens has had with alleged associates of organized crime.

Stephens is a former business partner of Nick S. Boscarino, one of the two casino investors the Gaming Board has identified as having mob ties. Boscarino was indicted in January in a scam involving Rosemont village insurance.

Stephens also wrote a federal judge pleading for a lenient sentence for longtime friend Anthony F. Daddino, who was convicted in a mob shakedown scheme. Upon Daddino's release, Stephens gave him a job in Rosemont as a building inspector.

Former board member Joseph Lamendella, who cast the sole vote in favor of the casino, asserted that Gaming Board staff members and other board members had concluded that Rosemont was a bad site for a casino.

"Rosemont," Lamendella said, "is not a bastion of organized crime. On the contrary ... it's a model of municipal magnificence."

Three other board members, including Jones, insisted the license denial had nothing to do with Rosemont, but was based only on the actions of top Emerald officials. "Geographically it's a terrific location for our casino, given its accessibility to O'Hare" Airport, Jones said at the time.

3 charged in sex attacks on teens

By Margaret Van Duch
Special to the Tribune

Three men were being held in Cook County Jail late Wednesday, accused in sexual attacks on two teenage girls at a weekend party in Prospect Heights.

Gabriel Martinez and Arturo Bahena, both 23 and of the 600 and 800 blocks of Piper Lane, respectively, in Prospect Heights, were charged late Tuesday with criminal sexual assault. Prospect Heights police said Wednesday. They are accused of sexually assaulting girls from Prospect Heights and Lake Zurich.

Ivan Fernandez, 22, of Mesa, Ariz., was charged with criminal sexual abuse for

fondling one of the girls, said police.

Police declined to provide the ages of the alleged victims, but Cook County prosecutors said they were 14 and 15.

The girls and their companions, two teenage boys from Wheeling, were among about 15 people attending a party in Martinez's apartment when other men attacked the boys and forced them from the home about 1:30 a.m. Sunday, police said. Martinez, Bahena and Fernandez were in custody late Wednesday after failing to post \$20,000 bail, according to reports. They were ordered to appear in court May 13, authorities said. Fernandez was also charged with possession of a controlled sub-

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Is Rosemont the problem?

Village says
misperception
of town might
be keeping state
from signing
off on deal

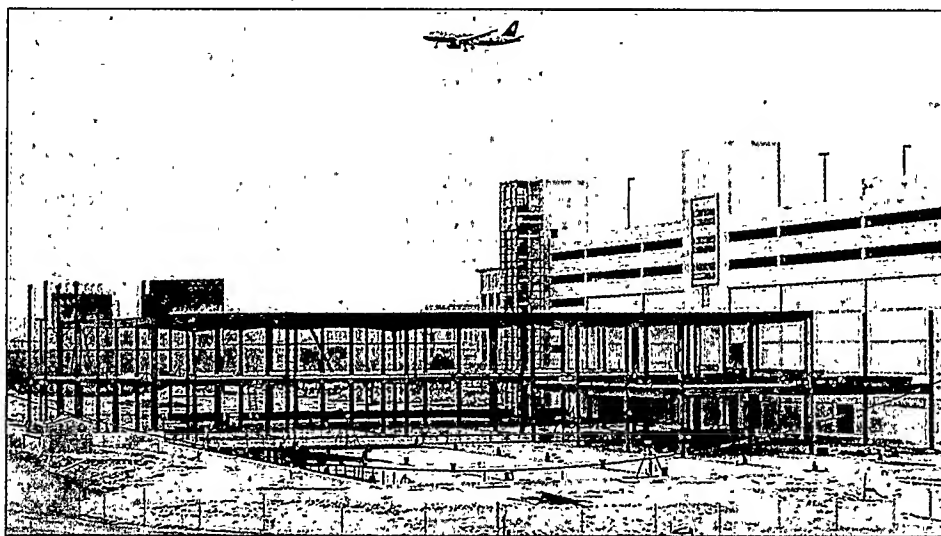
BY SHAMUS TOOMEY
Daily Herald Staff Writer

As obstacles to a casino in Rosemont mount, the village is trying to dispel any notion that it will be involved in any casino operations, with a spokesman saying Monday it would consider selling off village-owned land slated for the project.

But with recent developments suggesting the location itself could be a key part of the Illinois Gaming Board's trouble with the long-delayed Emerald Casino plan, the question now is whether Rosemont can ever do enough to convince regulators it is fit to have a casino in town.

An attorney for Emerald confirmed the gaming board wants the ability to possibly relocate the casino to another town as part of a proposed Emerald sale to another casino operator. And now village officials are beginning to acknowledge that the gaming board seems to have concerns about more than just the owners of Emerald, who were found unfit to run a casino in 2000. At that time, no gaming board members criticized Rosemont. And some praised it.

"I think they may have been saying one thing and doing another," village spokesman Gary Mack said. "It



PHOTOS BY BOB CHWEDYK/DAILY HERALD

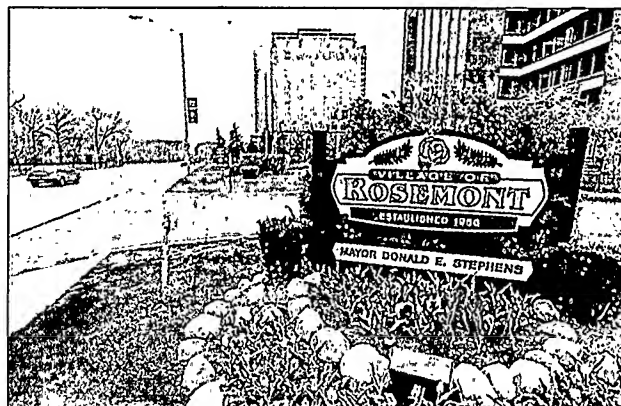
Progress on construction of a Rosemont casino and its parking garage has been stalled for years. Rosemont officials believe the gaming board has concerns about the village and not just about the casino's proposed operators.

seems to us and a number of people that maybe some members of the gaming board have not been comfortable with Rosemont, and yet they have not enunciated that.

"The mayor has repeatedly said, 'If there are any problems tell us so we can address them instead of having this cloak-and-dagger assassination campaign,'" Mack said.

The gaming board, which rejected Emerald's latest proposal to sell its license to MGM-Mirage for \$615 million with \$300 million going to the state, has not voiced any concerns to the village, Mack said.

But Mack alluded to several rounds of federal grand jury subpoe-



See ROSEMONT on PAGE 4

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4/30/02

Rosemont: Mayor denies claims he has ties to organized crime

Continued from Page 1

nas for project documents, including one asking for all information about the Rosemont-owned land where the casino would be built and about Nick S. Boscarino, a one-time business partner of Rosemont Mayor Donald E. Stephens. Boscarino, an Emerald investor from Barrington, has been accused by the board of having mob ties, which he denies.

"It's more of a feeling or a sense," Mack said of the board's concerns. "And the fact that they keep asking for and probing around where there seems to be no justification."

Gaming board administrator Philip Parenti declined to say Monday if the board is concerned about Rosemont or Stephens, who has twice been acquitted of fraud charges and has been accused of being too close to alleged organized crime figures.

Stephens denies any such ties and has sued an investigator who alleged them.

But at least one of the four gaming board members said he is not concerned about the fitness of Rosemont or Stephens.

"I don't have a problem with Rosemont," board member Elzie Higginbottom said Monday. "I don't see anything wrong with Rosemont. ... I don't think the board has excluded Rosemont."

Board chairman Gregory Jones declined to comment. The other two

members, Ira Rogal and Tobias Barry, did not return calls.

Stephens does not believe the village's prospects of landing a casino are doomed. But the village wants the board to know it will remove itself from any casino operational issues, such as awarding of construction contracts, Mack said.

"We have repeatedly said that even if there are any lingering concerns, and they will be unfounded concerns, Rosemont has made it clear that it would ... totally detach itself from any involvement or control," Mack said.

That could mean selling the casino land along I-294, he said. The village now has a deal to lease it to Emerald for \$1.5 million a year.

Emerald attorney C. Barry Montgomery said the gaming board, in settlement talks, wants to have the right to put the casino elsewhere. "In terms of location, nothing has been ruled out, and nothing has been ruled in," he said.

MGM Mirage spokesman Alan Feldman said the company has "a lot of interest in being in Chicagoland, but it's impossible to speculate on another location because ... this is the only one that has become available."

"We have an agreement to purchase the assets as we know them to be," Feldman said. "If there were a change in the terms, or the location, the size, the scope of the approval

process, etc., that would seem to me, offhand, to potentially change the value of the project."

Rosemont's fitness to have a casino was questioned last year by Chicago Crime Commission chief investigator Wayne Johnson, who told the gaming board not to approve a casino there, in part, because of Stephens' history with alleged organized crime associates.

Stephens denied any such ties and

sued Johnson for defamation.

The makeup of the gaming board itself also will play a role in the casino's future.

The five-member board has one vacancy, and the terms of Jones and Barry expire in June.

If they are not re-appointed, Gov. George Ryan could appoint three new members — enough new blood to approve any proposal.

Stephens wants casino mediator

Emerald attorney says deal with state is still possible

By CHRIS FUSCO
STAFF REPORTER

A lawyer for Emerald Casino Inc. said Wednesday there is still hope that the company and state gambling regulators can settle their dispute over a stalled casino in Rosemont, despite the north-west suburb's mayor saying it's time a federal mediator steps in.

"At this point, we are not at loggerheads on these negotiations, and unless and until that occurs, I'm hopeful we can work this out without a mediator," said Emerald attorney C. Barry Montgomery.

The Illinois Gaming Board in January 2001 rejected Emerald's bid to move the state's 10th and last-available casino license from East Dubuque to Rosemont, citing lies by Emerald executives Kevin and Donald Flynn and alleged mob ties by two other shareholders. A court-style hearing on the company's appeal of that decision is set to begin May 20, but Emerald executives hope to avoid costly litigation by settling the matter.

The Gaming Board and Emerald met at least twice last month to discuss a deal where MGM Mirage Inc. would buy the company for \$615 million and take over its Rosemont site, with \$350 million

in sale proceeds to be paid to the state. The board has rejected that offer, countering with a proposal in which other casino operators and towns could bid for the license, knowledgeable sources said.

Emerald contends that process would violate state law. It is preparing another offer—one that might entail it, or at least the Flynn, forgoing all profit from the MGM sale, sources said. That could bring the state more than \$400 million.

A potential sticking point is whether Rosemont is a suitable site for a casino. Its mayor, Donald E. Stephens, has acknowledged buying property from a nephew of a former Chicago mob boss decades ago. He also is a former business partner of Nick Boscarino, whom the Gaming Board has accused of having ties to organized crime. Stephens publicly broke ties with Boscarino, whose wife is an Emerald investor, after he claimed that Rosemont was a victim in an insurance scam for which Boscarino is now under indictment.

Stephens, who denies having any mob ties, believes Gaming Board Chairman Gregory Jones is the only board member questioning Rosemont. "Why is Rosemont the issue?" he said after a village board meeting Wednesday. "Tell me, Mr. Chairman. Let's debate it."

Jones declined to comment.

A mediator between the Gaming Board and Emerald, Stephens said, "would find out the position of both parties, which we don't know."

Rosemont mayor not yet warm to Jim Ryan

Rosemont Mayor Donald E. Stephens, a Republican power broker and close friend of Gov. Ryan, said Wednesday "it is too early to say" if he'll support GOP gubernatorial nominee Jim Ryan.

The mayor told reporters about a conversation he had the day before with former Gov. Jim Thompson about Jim Ryan, who as attorney general is considering blocking a possible settlement to the dispute over a proposed Rosemont casino.

"I said, 'Jim, I've got to tell you something: With the candidates we've got running for governor, to carry Leyden Township for the Republican Party, I think we're going to have to run Jesus,'" said Stephens, who is also Leyden Township's GOP committeeman.

"With all this nonsense I've seen going on with this gaming thing," the mayor said later, "I'm becoming a flaming liberal."

Chris Fusco

194B-CG-114999-NC-81

More games may offset casino tax hike

State may OK extra slots, tables—then get bigger cut of deal

By PAT MILHIZER
SUN-TIMES SPRINGFIELD BUREAU

SPRINGFIELD—The state's fleet of casinos could add hundreds more slot machines and table games under a budget-relief plan being floated by the gaming industry and endorsed Tuesday by the Senate's top Republican.

The casino industry has approached top leaders in Springfield with the possibility of relaxing state laws that limit casinos to no more than 1,200 slot machines or gaming tables. Letting casinos open 400

more of the positions apiece could generate \$130 million annually for the state and put a dent in Illinois' \$1.2 billion budget hole.

The concept gained momentum Tuesday, when Senate President James "Pate" Philip (R-Wood Dale) expressed his willingness to go along with the idea, which would allow the industry to offset the effects of higher riverboat taxes, which loom as lawmakers look for a quick fix to deal with the state's budget problems.

The Senate Republicans' recent call to raise riverboat taxes by \$150 million per year seems to have broad support in the General Assembly, and allowing the casinos to add gaming positions would enable the industry to cushion itself from the financial hit that may await

As Philip opened the door to expanding the number of slot machines and gaming tables, anti-gambling forces quickly condemned the possibility, predicting it would cause greater numbers of casino patrons to become addicted to gambling and possibly face financial ruin.

"To maintain or increase revenue, gambling must continually expand, addicting more people in its wake," said Anita Bedell, a spokeswoman for the Illinois Church Action on Alcohol and Addiction Problems.

Meanwhile, Mike Ficaro, an attorney for Emerald Casino, asked an administrative law judge Tuesday to delay a hearing on the future of the state's 10th casino license.

The hearing, set for May 20, is an appeal of the Illinois Gaming Board's earlier decision to reject Emerald's plans to open a casino in Rosemont.

Ficaro said he needed a 90-day delay to go over 8,000 documents he recently received from the Gaming Board, including an FBI investigation into Vito Salamone

and Nick Boscarino, who the board said have mob connections. Boscarino's wife and Salamone's brother are investors in Emerald.

The Gaming Board argued that Emerald already had access to the vast majority of documents it turned over and said it only recently was granted permission by the FBI to release its reports.

The administrative law judge, attorney Herbert Holzman, is expected to rule on Emerald's motion within a few days. The hearing is expected to last eight weeks.

Contributing: David Newbart

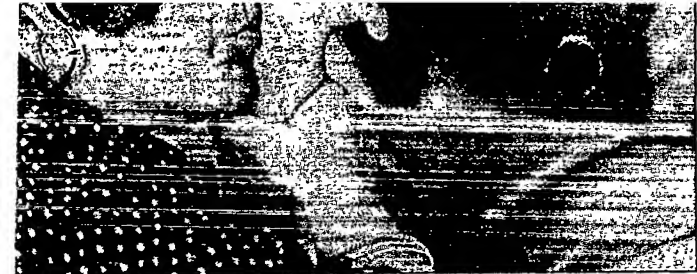
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CHICAGO TRIBUNE
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Tribune photo by José Moré

*pray every day that there will be peace and
hers on our side and on the other side
not have to sit by the bedside of their
wounded sons and daughters.'*

a Maman (left) mother of Sharon Maman, injured in a suicide bombing



day by a law-enforcement official from the Washoe County
member was arrested in Nevada the day before.

bombing suspect profile of radical

AP photo by Debra Reid

to temper the Israeli response.
With fears rising among Pal-
estinians, particularly in the
Gaza Strip, that Israel would re-
spond with a new military as-
sault, Arafat said he ordered his
security forces "to confront and
prevent all terror attacks
against Israeli civilians."

President Bush said he was
"most pleased" by Arafat's tele-
vised pledge. "I thought that
was an incredibly positive
sign," he said. "I hope that his
actions now match his words."

Bush also urged Israeli Prime
Minister Ariel Sharon to keep
"his vision of peace in mind."

Tuesday's bombing, which

Wednesday after cutting short a
visit to the United States. He
quickly held an emergency
meeting of his top advisers.
"Israel will act strongly," Sha-
ron said before opening the
meeting. "The battle continues
and will continue, until all those
who believe that they can make
gains through the use of terror
will cease to exist."

Among the proposals Cabinet
members were to consider, Sha-
ron's aides said, were an offen-
sive in the Gaza Strip and Ara-
fat's expulsion.

Analysts said that an Israeli

PLEASE SEE MIDEAST, BACK PAGE

Ryan aides push board to rethink casino buyout

By Douglas Holt
and Ray Long
Tribune staff reporters

Prodded by top aides to Gov.
George Ryan, the Illinois Gam-
ing Board will convene in closed
session Thursday to reconsider
its rejection of a \$615 million
buyout of the long-stalled Emer-
ald Casino project in Rosemont.

The hastily arranged meeting
comes after Robert Newton,
Ryan's chief of staff, and Budget
Director Steve Schnorf sum-
moned all four Gaming Board
members to a series of face-to-
face talks in Chicago Monday to
stress how such a deal could
help ease the state's fiscal crisis.
The talks were held with one
board member at a time to avoid
violating the Open Meetings
Act, which bars public bodies
from meeting without prior no-
tice.

A Rosemont casino has been

long stalled amid allegations of
mob influence and wrongdoing
by Emerald officials. Since last
summer, Emerald has been try-
ing to sell its rights to the casino
to Las Vegas-based MGM-Mi-
rage Inc.

The pitch from the governor's
staff to board members was un-
usual because Ryan has sought
to keep himself at arm's length
from Gaming Board delibera-
tions. For years he has stressed
that although he appoints mem-
bers of the panel, they head an
independent regulatory agency
free of intervention from his of-
fice.

Newton and Schnorf initi-
ated the contacts only days after
Ryan received an appeal to use
his influence to bring about a
settlement from Emerald Casi-
no lawyer C. Barry Montgom-
ery. "I think the governor would

PLEASE SEE CASINO, PAGE 22

Outspoken judge will take class to curb anger

By Janan Hanna
Tribune staff reporter

Criminal Court Judge Ronald

INSIDE

SPORTS



CASINO: Candidates for governor criticize plan

CONTINUED FROM PAGE 1

have an interest in the proposed settlement as it would pertain to the budget," Montgomery said Wednesday.

Montgomery sent to Ryan details of a proposed buyout in which Emerald offered to pay the state \$330 million of the sale proceeds to gain approval for the deal by regulators. Emerald has made similar, but less lucra-

tive, offers in the past in which the state's share would have ranged from \$160 million to \$300 million.

Bigger budget shortfall?

Upping the pressure on board members to go along with the deal, Newton and Schnorf told them Monday that the state was facing a budget shortfall of nearly \$2 billion, nearly 60 percent more than administration officials had previously stated. Ryan himself recited the higher number in Springfield budget talks with legislative leaders on Wednesday.

But budget experts said the administration was simply restating the same fiscal data in a way to put it in the gravest light and that the state's revenue shortfall, while still serious,

had not worsened.

As proposed, the buyout offer would allow politically connected Emerald shareholders to profit, quickly put a casino in Rosemont and eliminate the need for a public hearing before a board-appointed administrative law judge in which details of the board's case against Emerald would be aired.

Critics, including the Republican and Democratic candidates for governor, said such a settlement would improperly reward alleged wrongdoers.

That hearing is scheduled to begin May 20, but Emerald lawyers have sought a delay, saying they need time to examine thousands of pages of documents turned over by the Gaming Board last month. The documents include FBI reports con-

taining assertions of mob links to two Emerald investors.

Although they acknowledged that Newton and Schnorf met with board members, spokesmen for Ryan and the Gaming Board denied that any arm-twisting went on.

"The governor's people did not pressure the board members in any way," Gaming Board spokesman Gene O'Shea said.

Ryan spokesman Dennis Culloton described the meetings as routine and said it was an effort to ascertain whether state experts should expect an infusion of cash that might help solve the financial crisis.

"We have a major budget crunch," Culloton said. "The board members would not necessarily know of the state budget situation."

As part of their presentation to the board members, Newton and Schnorf brought a carefully worded statement that stressed that the two officials were not trying to pressure the board into action and were not taking a position on the merits of the Emerald deal.

The statement, a copy of which was obtained by the Trib-

une, went on to point out that failure to approve the deal would cost the state hundreds of millions of dollars at a time of fiscal crisis and prevent the state from collecting gambling-tax revenue from the casino for years while the license rejection was tied up in court.

"For Steve and me, our only interest here is the impact of your decision on the state's budget," the statement said.

Attorney general wary

The high-level attention to the settlement talks prompted a sharp response from the office of Atty. General Jim Ryan, the Republican candidate for governor.

"The history of this ... license already is tainted enough," said Dan Curry, a spokesman for the attorney general. "The governor's office ought to stay out of it. We trust the Gaming Board members already know there's a fiscal crisis."

Curry gave a strong indication that the attorney general will try to block a deal that does anything more than allow the Emerald shareholders to break

even on their investment.

"If there's an attempt made to transfer the license prior to the hearing process, we would take whatever legal action possible to block the transfer if he's not satisfied with the conditions," Curry said. "One of those conditions would be [that] he's adamantly opposed to any profit whatsoever going to investors."

Curry also raised concerns about whether Rosemont is a suitable location to locate a casino regardless of what company runs it.

Under terms of the proposed settlement, the casino's principal owners, Donald and Kevin Flynn and other family members, would net roughly \$26 million before taxes, according to a source familiar with the deal. Other Emerald shareholders would net \$200 million before taxes, the source said.

The state may ask MGM to pay taxes—possibly up to \$100 million—up front to help ease the state's cash-flow problems, sources said.

Tribune staff reporter Christi Parsons contributed to this report.



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*The News-Sun
Waukegan, IL*Date: *3/22/02*
Edition:

Title:

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or
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Casino idea still stirs passions

■ Countywide vote sought: Waukegan pressing state board for answer on license

By Dan Moran
STAFF WRITER

WAUKEGAN — As the debate over a lakefront casino re-emerged in recent weeks, some residents apparently held

their breath to see if it would have any effect on the school tax referendum.

At Monday's City Council meeting, North Avenue resident Paul Eagon said, "What I'm concerned about is someone saying, 'Hey, wait a minute. If we're going to get a casino in here, why should we vote for this school thing now?'"

Mayor Richard Hyde told Eagon that a letter released to the media the first week of March was intended primarily for state

legislators and members of the Illinois Gaming Board. Hyde indicated that it was given to the media ahead of schedule.

The letter was compiled and sent out by developer Alan Ludwig, who has been contracted by the city since 1993 to lure a gaming license to the lakefront. In the letter, Hyde was quoted as saying that Waukegan is "perfectly positioned" for a casino, and he urged the state to clarify the future of available gaming licenses.

But Hyde, a retired educator and staunch supporter of the referendum, told Eagon, "We didn't want anything brought up that would interfere with the election."

On Tuesday, 70 percent of voters supported the school tax proposal.

The exchange between Eagon and Hyde came just after the Rev. Omar Logan, co-chair of A Casino-Free Lake County, addressed the council and raised more general concerns about the city's renewed

lobbying on the casino issue.

"Let's don't make somebody else's mistake," said Logan, handing council members a packet of information that he said includes university-level studies on the pitfalls of legalized gambling.

"So much information has come out in the last three, four or five years," Logan said. "There is empirical evidence that a

❖ Turn to **CASINO, A2**

194 B-CG-114999-NC-84
FBI/DOJ

CASINO

From page A1

casino is going to cost us money when you consider the added judgeships, police and fire protection."

Hyde told Logan that the letter for the Gaming Board was primarily intended to determine if a gaming license would even be available. He added that if a casino was ever possible for Waukegan, "it would be years away from now and the City Council would have the final say, not me."

But later, Hyde told the council he had a conversation earlier this week with Aurora Mayor David L. Stover and came away impressed with the economic possibilities of gaming.

"Believe me, if you talk to him, he'll change your mind a lot," Hyde said. "He told me they took in \$9 million the first year and \$13 million last year!... I said, 'What about the crime, the prostitution we've heard about?' And he said, 'We don't have any of it.'"

"I'm not after a riverboat permit per se," Hyde added. "This is just a sign to Cook County (and) the politicians and the Gaming Board to say, 'Is it ever going to come to Lake County and Waukegan?' If we didn't do that, we wouldn't be doing our jobs."

Logan and his group — which also voiced concerns about the affects a gaming site would have on limited-income elderly residents, welfare recipients and the working poor — are already doing some work of their own, having launched a petition drive to place an advisory referendum on the November ballot.

"The advisory referendum will give voters in Lake County an opportunity to voice their position on casino gambling in Lake County," the group said in a statement. "We suspect that voters in Lake County would (voice) overwhelming opposition to a Fox Lake or Waukegan casino."

The petition drive has been underway since late February, and officials say they've received volunteer interest "from Barrington to Antioch, and from Deerfield to Winthrop Harbor."

(Mount)

Rosemont to sue casino developer today

Blames top Emerald investors for state's rejection of plans

BY CHRIS FUSCO
STAFF REPORTER

Rosemont today will sue the company that by now was supposed to have a casino up and running in the northwest suburb, alleging that Emerald Casino Inc. broke a development contract with

the village and that some key Emerald investors are responsible for the state rejecting casino plans.

"It's not a maybe. It will be filed," Rosemont Mayor Donald E. Stephens said of the suit. Lawyer Dan Webb, who as U.S. attorney in the mid-1980s twice unsuccessfully prosecuted Stephens, will oversee the village's legal team.

The suit comes as Stephens and others are preparing to testify at a hearing before an Illinois Gaming Board administrative law judge.

The hearing, tentatively set for May

1, is part of Emerald's appeal of the board's decision to shoot down casino plans in January because of lies by key Emerald investors and alleged mob ties to the project.

The hearing is expected to shed new light on the inner workings of the casino deal, with attorneys for the state and Emerald questioning key players. It will be open to the public, and television crews can record testimony, Gaming Board spokesman Gene O'Shea said.

The hearing could be avoided if Emerald can settle its dispute with

the state. Gaming Board members are considering a proposed buyout of the company by MGM Mirage Inc., with Emerald to pay the state at least \$160 million if regulators allow the casino to open.

Rosemont's three-count complaint, Stephens said, will aim to recoup \$45 million the village has spent to build an addition to its parking garage next to the casino site. Emerald, under the development contract, was to repay Rosemont for the work on a monthly basis, but the Gaming Board said

the company couldn't make payments without having an active casino license.

The suit also will accuse Emerald investors Kevin Flynn, the company's CEO, and his father, Donald, of being responsible for the casino plans being rejected, Stephens said. It will seek damages not only for the loss of village tax revenues from the casino site but from nearby businesses expected to sprout around it.

Emerald officials could not be reached for comment.

(Indicate page, name of newspaper, city and state.)

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Chicago, IL

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You can take it to the bank that MGM will sue Emerald if this happens, and it will result in years of litigation.

—Gary Mack, spokesman for Rosemont Mayor Donald E. Stephens

State blocks sale of casino license to MGM Mirage

Exclusivity pact may hinder any other deal in Rosemont

By CHRIS FUSCO
STAFF REPORTER

A controversial proposal to have MGM Mirage take over a lucrative but stalled casino in Rosemont has been rejected by the Illinois Gaming Board, which wants other companies to have a shot at building and running it.

The board said Friday it has turned down MGM's pitch to buy Emerald Casino Inc., which controls a license for the casino but can't use it because Emerald has been declared unfit to run a gambling operation in Illinois.

Board members did not explain their decision, but they had been under fierce criticism for even considering the deal. Las Vegas-based

MGM would have bought the Emerald license for more than \$600 million, with at least \$160 million from the sale going to the state. Critics said the deal was too generous to Emerald's top investors, who are accused of mob ties and lying to the Gaming Board.

Rather than kill all hope for a casino in Rosemont, the Gaming Board left open the possibility of working with Emerald to competitively bid the license.

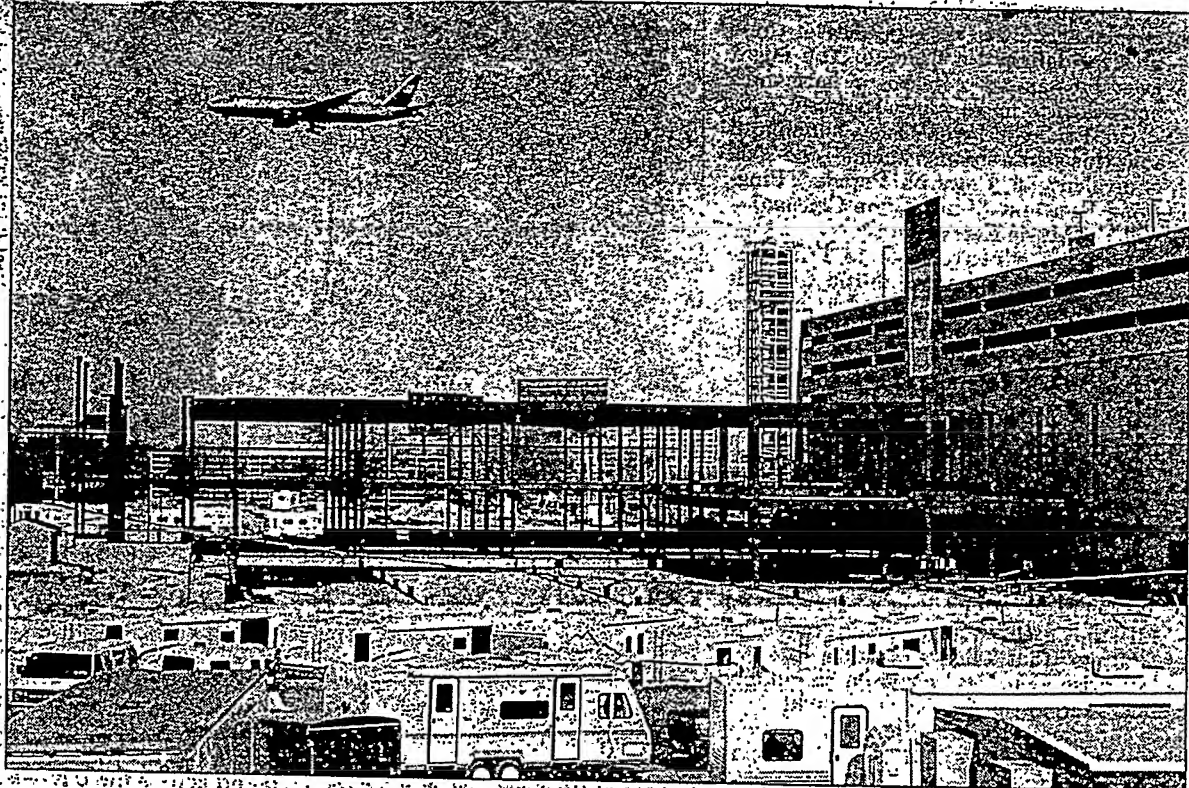
"The board is considering its own counter-proposal," said Gaming Board Administrator Philip C. Parenti, who pursued the deal between Emerald and MGM. "We're encouraging a process in which other candidates, including MGM, can participate as part of a settlement agreement."

Parenti said he believes state law does not allow the Gaming Board to competitively bid casino licenses, but legislation has been introduced in Springfield to change



Philip Parenti
Considering plan

194B-CG-114999-NC-86



JEAN LACHAT/SUN-TIMES

The shell of a building is all Rosemont has to show for its efforts to land a casino. The northwest suburb filed suit Friday blaming Emerald Casino Inc.'s main investors for getting it barred by the state.

that. The Gaming Board also could get around the state law if Emerald simply agreed to competitive bidding as part of a settlement.

It is unknown how, or if, Emerald would profit under the Gaming Board's counterproposal.

Emerald's major investors, Kevin Flynn and his father, Donald, could not be reached for comment Friday night. Even though Emerald is appealing the Gaming Board's refusal to let it operate the casino, the company offered to settle the case by selling the license to MGM.

Gary Mack, a spokesman for Rosemont Mayor Donald E. Stephens, at first was heartened by the Gaming Board's announcement. But his optimism faded after he conferred with a village attorney, who told him an exclusivity agree-

ment between Emerald and MGM likely would preclude Emerald from considering offers from other companies.

"You can take it to the bank that MGM will sue Emerald if this happens, and it will result in years of litigation," Mack said.

That litigation would come on top of a lawsuit Rosemont filed Friday in Cook County Circuit Court blaming the Flynn's for getting Emerald barred from operating a casino in the northwest suburb. "In providing false and misleading statements to the Gaming Board, the Flynn's acted in their own interests... by artificially inflating the price of Emerald's stock so the Flynn's could sell some of their holdings at a substantial profit," the suit says.

C. Barry Montgomery, an attor-

ney for Emerald, declined to comment about the Rosemont suit because he hadn't seen it, but he said he hoped to learn specifics about the Gaming Board's counterproposal next week.

"I interpret the fact that they've rejected the [MGM] proposal as a negative. The fact they're going to get back to me with a counterproposal is a positive," he said.

Neither Montgomery nor MGM attorney Cezar M. Froelich would comment about the exclusivity agreement limiting Emerald's right to competitively bid the license.

"MGM has a binding agreement with Emerald Casino," Froelich said. "It's our belief that Emerald intends to honor its agreement with us. We have no indication to the contrary."

SUN TIMES 3-23-02

(Mount Clipping in Space Below)

Gaming panel rejects MGM's Rosemont deal

Officials may start
again from scratch

By Douglas Holt
Tribune staff reporter

The Illinois Gaming Board announced Friday it has rejected a \$615 million offer by Las Vegas-based MGM Mirage Inc. to buy out the beleaguered Emerald Casino and now wants to reopen the process for finding an operator for the proposed casino in Rosemont.

On the same day, Rosemont filed suit against the Emerald and its top owners, Donald and Kevin Flynn. The suit alleges the Flynn's were required to use their "best efforts" to gain approval from the Gaming Board for the casino, but torpedoed the process by making false statements and misrepresentations under oath that ultimately led the board to find them unsuitable to hold the license.

"Rosemont has lost, and will continue to lose, hundreds of millions of dollars as a result of Emeralds' and the Flynn's wrongful conduct," said the suit, filed in Cook County Circuit Court.

Both actions heightened the controversy surrounding the Rosemont casino, which has now generated five lawsuits as well as a legal proceeding that will culminate in May when the Gaming Board is expected to detail Emerald's alleged misdeeds before a hearing officer.

Rosemont's lawsuit has been long expected because Mayor Donald Stephens has been complaining for more than a year that the Emerald failed to meet its obligation to pay for a \$40 million parking garage.

But the Gaming Board's rejection of the MGM buyout, delivered in a statement read by administrator Phil Parenti, caught many off-guard.

PLEASE SEE CASINO, PAGE 21

(Indicate page, name of
newspaper, city and state.)

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Chicago, IL

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CASINO: Rejected deal catches many by surprise

CONTINUED FROM PAGE 1

"The board has rejected the current MGM proposal and is considering its own counterproposal, which is encouraging a process where other candidates, including MGM, can participate as part of a settlement agreement," Parenti said in the statement, declining further comment.

"I've got to tell you, I'm shocked," said Larry Suffredin, a Chicago lawyer just nominated to the Cook County Board who represents MGM Mirage.

He said he was flabbergasted because the Gaming Board's rejection came even though there has been no public discussion of the proposal.

Suffredin said any attempt to open the process to other suitors may invite yet another lawsuit, because Emerald entered into an oral, unsigned contract to be bought by MGM.

Emerald lawyer C. Barry Montgomery expressed disappointment at the setback but said he remained optimistic that the board was still interested in reaching a settlement.

"We have an agreement for \$615," he said, referring to the \$615 million price tag for the state's coveted 10th casino license. "I'm not sure Emerald can go anywhere. Rather than clarifying things, it looks like this is going to create more litigation."

if one was approved by the Gaming Board.

The first inkling that the board had turned against the proposal came in Illinois Gaming Board letters this week barring two African-American activists in Las Vegas from speaking to the board at its meeting Wednesday regarding what they claim are discriminatory hiring practices by MGM Mirage.

In a letter, board spokesman Gene O'Shea wrote that "there is no proposal or issue concerning MGM-Mirage that is before the Illinois Gaming Board or is being considered by the Illinois Gaming Board at this time."

Settlement had been touted

For two months, Parenti has touted a settlement with Emerald as the best option for the state. He has repeatedly emphasized his efforts to negotiate a \$160 million payment to the state as part of MGM's proposed \$615 million buyout of Emerald, and he has never expressed concern about the process by which Emerald and MGM came to their agreement.

As recently as last week, Parenti defended the proposed settlement to an Illinois House subcommittee, including its most controversial aspect: that the agreement would mean hundreds of millions of dollars will be paid to a group that allegedly lied under oath to casino regulators and sold casino shares to two people with alleged mob connections.

He emphasized that under Illinois law, casino licenses are not state property, but belong to private casino owners "unless and until we take it away from them."

But the process for revoking a license is so cumbersome that it will take five years for the state to regain control of the license, he said. In the meantime, he said, the state will lose hundreds of millions in tax revenue.

"The naysayers of the settlement is that the wrongdoers are going to get all the money," he told lawmakers last week at a hearing in Springfield. "I want to remind the committee that nobody in the history of this state who has sold a casino, who has sold a license, has walked away with anything but fair market value."

Plan always controversial

The settlement has remained controversial almost from the time it was first proposed. Illinois Atty. Gen. Jim Ryan, who won the Republican nomination for governor this week, has indicated he may block a settlement

Gaming board made right move on sale

The Illinois Gaming Board made the unexpected but correct decision last week to reject the proposed sale of the planned Rosemont casino to Las Vegas-based MGM Mirage.

The decision was unexpected because the proposed transaction had enjoyed the support of gaming board administrator Philip J. Parenti. In making the announcement Friday, Parenti did not say whether he had changed his mind or had been outvoted or otherwise convinced the sale is not in the best interests of the state.

In fact, the gaming board's decision is the correct one precisely because it is not in the state's best interests and because it doesn't quite pass the smell test.

The deal would have been consummated for \$615 million, with the state receiving \$160 million in exchange for it dropping its opposition to completing and opening the casino. Emerald's investors would have received some \$445 million — far exceeding their original stake.

Therein lies the sticking point of deal. Neither Parenti nor Emerald's investors has ever satisfactorily explained why those investors are entitled to

Our View

No one has explained why Emerald's investors are entitled to windfall profits for a casino they've never operated and a license they've never fully controlled.

windfall profits for a casino they've never actually operated and for a casino license they've never fully controlled without legal challenge. Would-be investors from Lake County have challenged the constitutionality of the state law that smoothed the way to move the license from a failed riverboat in northwestern Illinois to Rosemont. The Lake County contingent lost that argument in circuit court, but an appeal is pending.

Meanwhile, supporters of the sale to MGM Mirage — which, naturally, consists largely of those

who stand to make money from the sale — argue that license holders should be entitled to reap the license's market value. But that's highly problematic in the case of the Emerald, where the gaming board has stalled the project because of its staff-generated reports claiming that majority investors Donald and Kevin Flynn have lied to regulators and included among the investors those with connections to organized crime.

Parenti's statement Friday said the gaming board "is considering its own counterproposal which encourages a process in which other candidates, including MGM, can participate as part of a settlement agreement."

That leaves room for interpretation, but one possibility is that the board has in mind an open-bidding process, which certainly would make sense in terms of revenue generated for the state but which might be impossible in the absence of legislation specifically setting up a bidding process. To move in that direction, though, certainly is preferable to letting Emerald's investors walk off with an indefensible profit far larger than their investment.

(Mount Clipping in Space Below)

(Indicate page, name of paper, city and state.)

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Gaming Board hit with new subpoena Casino buyout proposal probed

By Douglas Holt
Tribune staff reporter

For the second time in two months, federal authorities have subpoenaed records from the Illinois Gaming Board about the troubled Emerald Casino proposed for Rosemont, this time focusing on a failed \$615 million buyout by MGM Mirage Inc. The subpoena dated March 12 also demands cellular and office telephone records for the Gaming Board's new top administrator, Philip C. Parenti, and the board's chief legal counsel, Mark Ostrowski, sources said. The telephone records sought are from Parenti's first day on the job, Nov. 16, to the present.

FBI agents last week spent more than two hours interviewing Parenti, Ostrowski and other staff members in the board's Chicago office about the Rosemont casino, sources said.

Parenti and Ostrowski declined to comment Tuesday, as did spokespersons for the FBI and U.S. Atty. Patrick J. Fitzgerald.

While a subpoena in January had been characterized by Parenti as a narrow effort to collect information on one casino shareholder with alleged mob ties, the new subpoena casts a wider net.

PLEASE SEE CASINO, PAGE 5B

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Chicago, IL.

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CASINO: State board rejected buyout offer

CONTINUED FROM PAGE 1

Federal investigators ordered the board to turn over "any and all" internal memos since Parenti took over that reflect contacts between Gaming Board personnel and any representatives of Emerald, Las Vegas-based MGM-Mirage and Rosemont.

The subpoena also seeks internal security logs on visitors to the Gaming Board's offices, along with any notes, transcripts and minutes to Gaming Board executive sessions since Parenti has been administrator.

The documents are to be delivered to the grand jury that meets Thursday, according to the subpoena.

Board decision

Last Friday—10 days after the subpoena was issued—the Gaming Board announced it had rejected MGM-Mirage's offer to buy the Emerald. The board is expected to explain its decision at a meeting Wednesday.

But the federal investigation may put a chill on any new ideas to reach a settlement on the Emerald license, a board member said.

"It slows things down because you don't anticipate what they're looking for," said Tobias Barry. "We don't have the faintest idea where they're going. So out of caution you play it safe, that's my thought."

Parenti has been a major booster of MGM's offer that would settle the stalemate over the stalled casino, sending a \$160 million payment to the state and \$455 million to Emerald's owners.

The proposal has been controversial because of the millions that would go to a group that allegedly lied to casino regulators and sold shares to two people with alleged mob

connections.

Gubernatorial candidates Rod Blagojevich and Jim Ryan oppose the settlement. Ryan, the attorney general, has said he would strongly consider blocking a settlement even if approved by the Gaming Board.

Barry, along with fellow board member Ira Rogal and a spokesman for Gov. George Ryan, said Tuesday the latest subpoena did nothing to shake confidence in Parenti.

Barry, a former state appellate judge, said federal prosecutors generally are exhaustive when requesting documents.

"I really make nothing of it," he said. "From what little I know about federal prosecutions and investigations, they turn over every stone."

"There's certainly nothing that should be of any interest to the FBI," Rogal said of the MGM proposal.

Parenti was hired by the board on the recommendation of the governor's office, where Ryan spokesman Dennis Culleton praised Parenti's work.

"Many times the FBI talks with people about things in order to pursue facts and information. Just because someone talks to an FBI agent doesn't make them a suspect," Culleton said.

He lauded Parenti as a "an experienced former federal prosecutor, an experienced former chief of the criminal division of the attorney general's office and an experienced private attorney."

"He's working with the board on these complicated issues and we have every reason to believe he is doing everything as best he can in an effort to best represent the people's interests," Culleton said.

Board Chairman Gregory Jones said the board would "continue to cooperate fully with any investigations from the U.S. Attorney's office."

In January, federal agents served the Gaming Board with a subpoena demanding all records on the Emerald Casino. It specifically asked for all records related to the land abutting Interstate Highway 294 where the casino was to be built.

That subpoena also asked

"We don't have the faintest idea where they're going. So out of caution you play it safe, that's my thought."

—Tobias Barry

for all records related to Emerald investor Nick S. Boscarino, his wife, Sherri, and a trust they control that is listed as an Emerald shareholder. The board last year accused Nick Boscarino of having ties to organized crime.

Boscarino was indicted in January on federal charges accusing him of defrauding Rosemont's former insurance carrier. He pleaded not guilty to the money laundering, conspiracy and wire-fraud charges.

After an investigation led by former Gaming Board Administrator Sergio Acosta, the board found top Emerald officials unsuitable for a casino license, accusing them in January 2001 of lying under oath to investigators and bringing on mob-connected casino shareholders.

Board turnover

After the decision, Ryan expressed unhappiness at the stalled casino and replaced two of its four members who wanted to remain on the board, declaring last summer that, unlike dozens of other state boards, he had a policy against reappointing members to the regulatory panel. Two others resigned since the Emerald decision, and have been replaced, leaving Jones as the sole board member who voted to revoke the Emerald's casino license.

After the board was reshuffled, Acosta resigned last August to return to work as a federal prosecutor.

The board's revocation of the casino license is under appeal. A hearing before an administrative judge is scheduled for May 1. Since state law places a limit of 10 casino licenses, no one can have the license until the Emerald exhausts its appeals.

Uncertainty over Rosemont casino growing

BY JOHN PATTERSON

Daily Herald State Government Editor

SPRINGFIELD — Nearly three years ago, Gov. George Ryan put his pen to a deal that was supposed to put a riverboat casino in Rosemont.

Today the prospects of that casino remain as doubtful as ever.

Just last week, state gambling regulators rejected a \$610 million deal first touted as the saving grace for the troubled project. The same day, Rosemont attorneys sued the prospective casino owners, claiming they botched the deal and owe the village millions.

It gets worse. The Illinois Gaming Board plans to go to court May 1 to try to strip embattled Emerald Casino of its gambling license. But that could take five years.

So, as the gaming board meets today, no one appears to be able to say exactly when or even if the doors will open on this alleged cash cow casino that just a couple years ago seemed like a sure thing.

"If anyone would have bet in July of

'99 that this casino would not have opened, someone could have got big odds," said Tom Grey, the executive director of the National Coalition Against Gambling Expansion.

A spokesman for Rosemont Mayor Donald Stephens could not be reached for comment.

Further complicating the situation is the increasingly political nature of the debate.

Both candidates for governor — Democrat Rod Blagojevich and Republican Jim Ryan — had expressed concerns about MGM Mirage's plan to buy out Emerald Casino before the gaming board shot it down. Ryan, the attorney general, threatened to block the sale. Blagojevich opposes any deal that keeps the current ownership intact. Plans for the Rosemont casino first stalled when the gaming board claimed Emerald Casino majority owners Donald and Kevin Flynn had misled regulators and let mob-connected shareholders buy into the project. The Flynn's have appealed.

Also, several lawmakers want the

state to auction off not only the Rosemont license, but the nine other gambling licenses when they come up for renewal. Some politicians estimated the state could net \$16 billion, money sorely needed for school construction and gaping budget holes.

But Philip Parenti, the gaming board's administrator, isn't sold on the idea, suggesting it could hurt Illinois' gambling industry. Parenti cautioned that the uncertainty could discourage anyone from investing millions of dollars in casino developments.

"What would their investment be if it were subject to be auctioned off three years later?" Parenti told a panel of lawmakers early this week.

Yet to be fully explained is what would happen to riverboat casino license holders in places like Elgin, Aurora, East Peoria and Alton when their casino permits come up for renewal. In theory, they run the risk of losing their casinos if outbid.

Although Parenti questions the auction process, he and the gaming board are looking to sweeten the state's take

from any deal that lands a casino in Rosemont. In rejecting the MGM deal, Parenti announced the gaming board is working on a counterproposal that encourages other candidates to participate. The end result could be millions more for the state. The MGM deal vetoed by the gaming board included \$160 million for state coffers.

While prepared to go to court, Parenti said each year spent in legal battle is tax dollars the state loses out on. "You're talking about maybe a billion dollars that we could have in the state revenues if this could properly be settled," Parenti said.

In order to run a riverboat casino, the owners must have a license from the Illinois Gaming Board. Ten licenses exist and nine are in use. The 10th license had been put to use near Galena, but that casino closed citing competition from nearby Iowa casino boats. The General Assembly, then passed a law allowing the owners to transfer their license and wrote the law to all but guarantee Rosemont would be the new home.

(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)

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Gaming board shows faith in its regulator

BY ERIC KROL
Daily Herald Political Writer

Administrator met with FBI to answer questions about MGM deal

Illinois Gaming Board members granted a vote of confidence to their lead regulator who revealed Wednesday he has had to answer questions from federal investigators while trying to negotiate a settlement to the long-running saga of the Emerald Casino in Rosemont.

Gaming Board Administrator Philip C. Parenti acknowledged that he, two gaming investigators and two gaming attorneys met with FBI agents last week to discuss the now-rejected \$615 million buyout of the

Emerald gambling license by MGM Mirage Inc.

"It was a friendly, cooperative meeting. We answered all the agents' questions," said Parenti, who has been trying to broker a settlement of the Emerald casino since he came on board last November.

The gaming board rejected Emerald's application to open a casino in Rosemont in January 2001 amid concerns about investors with mob ties and that the main owners lied to

gaming board investigators.

The gaming board last Friday said it had rejected Emerald's offer to sell its interest in the casino to MGM, with \$165 million going to the cash-strapped state and \$455 million to Emerald investors. Gaming board chairman Gregory Jones said Wednesday the board actually rejected the deal last month but didn't announce it until last week.

The board now is looking at opening up the Emerald settlement talks to

allow other gaming companies to bid on the rights to buy the license. Such a move could bring a lawsuit from MGM, but the company's attorney said Wednesday he would like to see Emerald make another offer to the gaming board that gives more money to state coffers.

Whatever the case, Parenti will continue to be the state's point man on wading through the suits and counter-suits into which the Rosemont casino situation has devolved.

Jones read a statement supporting Parenti.

"The board is confident that Administrator Philip C. Parenti, Chief Legal Counsel Mark Ostrowski and the entire gaming board staff will continue to implement the dictates of the board while diligently serving the people of the state of Illinois and protecting the integrity of the regulatory process," Jones said.

Parenti declined to say what specifically federal investigators asked him

about. But Parenti did reveal that the investigators have been responding to federal subpoena requests on the Emerald situation since November 2000.

The most recent subpoena, served last week, was a continuation of a January subpoena in which investigators wanted all records relating to the Emerald deal and the involvement of investor Nicholas Boscarino.

Boscarino, who the gaming board alleges has mob ties, was charged in January with fraud while serving as the insurance provider for Rosemont.

Federal officials declined to comment.

Date page, name of newspaper, city and state.)

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Top casino backer seeks 'fair return'

**Flynn says family
has \$40 million
in stalled project**

**By Douglas Holt
and Dan Mihailopoulos**
Tribune staff reporters

The head of the investor group behind the Emerald Casino has all but given up on winning approval to operate in Rosemont. But Kevin Flynn said he will fight to prevent anyone else from gaining the rights to a new casino until his family is assured of a "fair return" on its investment.

In an interview with the Tribune, Flynn did not specify what he thought a fair return would be, but said he and relatives had put nearly \$40 million into the project. Other investors added another \$52 million, he and other shareholders said.

The Flynn family would have received about \$240 million and the other investors would have split \$215 million under a proposed buyout of the Emerald group touted by Illinois Gaming Board Administrator Philip Parenti, but ultimately rejected by the board last year to deny Emerald a casino license. That could happen soon. An appeal hearing on the Gaming Board's decision last year to deny Emerald a casino license is to begin May 1, and a separate suit on the license may be decided by the end of April.

"Just like I don't like being at parties I'm not invited to, if the State of Illinois doesn't want me to have a casino in this state, I'm not interested in having one," Flynn said. "But we've had significant risk capital invested for many years, and a fair return is what we're looking for."

"If we can't find a middle ground, we will have to work to vindicate ourselves and our reputations in a court of law."

The Flynn family controls nearly 53 percent of Emerald's shares and can dictate whether to sell the company or to press on with a legal battle seeking to force the board to permit construction of the casino.



Tribune file photo

Kevin Flynn (left), with attorney Michael Ficaró in January, said he would walk away from the casino project for a price.

ity investors, who have complained that the Flynnns have run the venture into the ground and should agree to sell at no profit to a casino venture acceptable to regulators.

That does not mean the investor group is solidly behind the Flynn leadership. Just under 20 percent of the shares are held by women and minor-

"I've never seen such a display of greed and poor judgment."

PLEASE SEE CASINO, PAGE 6

(Indicate page, name of newspaper, city and state.)
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CASINO:

Some investors are unhappy with Flynns

CONTINUED FROM PAGE 1

ment in my life," said Grayson Mitchell, a spokesman for the minority investor group that includes Walter Payton's widow, Connie, and Chaz Ebert, wife of film critic Roger Ebert.

"They're trying to milk every dime out of a deal they frankly don't have any right to," Mitchell said of the Flynns. "To be standing at the rail demanding profit is just audacious."

The Flynns invested in the casino company in 1991, though at the time it had a different name and operated a casino near Galena that failed. But after an intensive lobbying drive orchestrated by the Flynns, Rosemont Mayor Donald Stephens and others, lawmakers rewrote state gambling law in 1999 to allow the renamed Emerald firm to revive its casino operations in Rosemont.

The relocation went awry last year when the Gaming Board found Flynn and his father, Donald, a former Waste Management executive, unsuitable for a casino license, alleging they repeatedly lied to casino regulators and sold shares to mob-connected investors.

Flynn has denied the allegations. He said Emerald had been singled out for punishment, noting that the board allowed Jack Binion to sell his Joliet Empress Casino for \$475 million last year after he had been found unsuitable as an owner.

At the time, Gaming Board officials said they allowed the

deal in part to keep a casino running in order to maintain its revenue and employees.

When Flynn was found unsuitable last year, he vowed to fight to the end. He now expresses much less eagerness to attempt to overturn the decision.

"I feel like somebody that's been through the blender," he said. "I'm just ready to move on, for my family's sake—not my dad, but for my wife and kids."

In a related development, Stephens and House Republican leader Lee Daniels clashed Wednesday over Rosemont's effort to make a casino in the village more politically palatable and financially lucrative for the state. Under the 1999 law, a large chunk of the state's share of casino revenue would be redirected to a subsidy for the horse racing industry. But Stephens wants to cap the amount of the subsidy, effectively reducing it.

Daniels told Stephens he would not support legislation to impose a cap because it has little support among lawmakers, an aide to Daniels said.

Even so, the measure passed a House committee on Wednesday on a straight party line vote, with Democrats supporting it and Republicans opposed. A vote by the full House, which is controlled by Democrats, was expected this week.

Horse racing leaders, including Arlington Park Chairman Richard Duchossois, have objected to any limit on racing subsidy.

Stephens said he told Daniel, who is chairman of the Illinois Republican Party, "I think you guys are joined at the hip with Mr. Duchossois." He characterized the current law as a "rip-off for the horse-racing industry" and said, "How can you permit that in good conscience when we're talking about closing nursing homes and cutting funds for people that really need it?"

(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)

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Emerald casino investors double their offer to state

BY ROB OLMSTEAD
AND DAVE ORRICK
Daily Herald Staff Writers

The state's take for the sale of a disputed casino gambling license would double under a new proposal sent to Illinois Gaming Board members this week.

Sources confirmed Emerald shareholders have offered the state double the amount they were formerly offering, increasing the state's take to about \$300 million.

Emerald, which has been forbidden by the state gaming board from opening a planned casino in Rosemont because of alleged mob ties, wants to sell the license to MGM Mirage, which has offered roughly \$610 million for the license.

MGM officials say they have not increased their offer, so it appears the state's increased take would come out of the pocket of Emerald investors, who apparently prefer a reduced profit to a lengthy court battle over the license. The state is set to begin the process of revoking the license, without any compensation, on May 20. The gaming board already turned down Emerald's previous offer.

Illinois House Speaker Mike Madigan Tuesday confirmed the new deal

would nearly double the state's take, but had no further comment. Gov. George Ryan also had little to say.

"It's probably the biggest deal that's been offered in any state," said Gov. George Ryan. "But again, that's the board's decision and we'll see what they do with it."

The gaming board was similarly mum.

"All I can tell you at this time ... is the board has no comment," said Gene O'Shea, spokesman for the board.

Representatives of Emerald Casino could not be reached for comment.

Crain's Chicago Business reported that the state's take from the deal would be \$250 million, and that members of the Flynn family — key Emerald investors — would dish out an additional \$50 million to the state from their own funds.

The business journal also reported that Emerald investors with links to organized crime figures would not reap anything but their initial investment in the project.

The gaming board will consider the offer at its next meeting on April 16.

• *Daily Herald staff writers John Patterson, Heath Hixson and Shamus Toomey contributed to this report.*

(Mount Clipping in Space Below)

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Chicago Tribune

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Metro Northwest

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Casino group ups its offer for an OK

By Douglas Holt
Tribune staff reporter

Emerald Casino officials offered Tuesday to hand the state \$300 million as part of a new push to convince Illinois regulators to approve a casino in Rosemont.

The proposal, delivered in a letter to the Illinois Gaming Board, nearly doubles the \$160 million casino officials offered in a failed effort to settle allegations that top Emerald officials lied to state regulators and sold casino shares to people with ties to organized crime.

Gaming Board Administrator Philip C. Parenti declined

to comment on the latest proposal for divvying up \$615 million that Las Vegas gambling giant MGM-Mirage Inc. has offered to pay for a license to build a casino.

Emerald Casino Inc., headed by former Waste Management executive Donald Flynn and his son Kevin, formerly ran a failed casino near Galeana. The company persuaded lawmakers in 1999 to grant them exclusive rights to move to Rosemont under a controversial gambling law.

But the deal foundered last year when the Gaming Board found the Flynn's unsuitable

PLEASE SEE CASINO, PAGE 2

CASINO: Legal matters are looming for Emerald

CONTINUED FROM PAGE 1

for a casino license.

Under the proposal, the Flynn's would pay a disproportionate share to the state. All Emerald shareholders, including the Flynn's, would pay \$250 million, but the Flynn's would pay an additional \$50 million, sources said.

Also, two shareholders with alleged mob ties would not be allowed to profit.

In a recent interview with the Tribune, Emerald CEO Kevin Flynn said his family wants a "fair return" for roughly \$40 million they have sunk into the casino company.

The latest proposal would leave the Flynn's with more than \$100 million before taxes and a profit of roughly \$50 million after taxes and expenses are accounted for, said a source familiar with the negotiations.

The latest pitch by Emerald comes at a critical time. Two legal matters are rapidly coming to a head. A lawsuit Emerald filed last year seeking to force the state to grant it a casino license is expected to be heard, and possibly decided, this month. Next month marks the start of a potentially damaging appeal in which the state will lay out why it accused Emerald directors of wrongdoing—a process Emerald would like to avoid.

Meanwhile, federal prosecutors are investigating the proposed casino buyout, as well as Nick S. Boscarino, one of two casino shareholders with alleged ties to the mob.

The new proposal also swings a spotlight onto Atty. General Jim Ryan, the Republican candidate for governor. While seeking his party's nomination, he spoke out against any deal that would give the proposed casino's politically connected investors group windfall profits. He also said any sale should not preempt the appeal process set to begin in May.

Late Tuesday, his spokesman, Dan Curry, said Ryan's position had not changed. He said the state "If an attempt is made to do this prior to the revocation process, he would strongly consider using the powers of the attorney general to block the sale," Curry said.

But one casino shareholder, part of a group of minority and women owners required by state law, said the proposal would reduce profit to alleged wrongdoers while giving the state a sweeter deal.

"They're engetting nowhere," shareholder Al Johnson said.

"To me, in view of the fact the state has a huge deficit, if we can come with \$300 million to give to the state, boy, what a help that would be to 3,000 or 4,000 people they're talking about laying off. This makes good sense."

Anti-gambling activist Tom Grey said Gaming Board officials have redefined their charge to maximize state revenues rather than regulate casinos as envisioned by state law.

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(Mount Clipping in Space Below)

\$300 million not enough to sway Ryan on casino

BY JOHN PATTERSON

Daily Herald State Government Editor

SPRINGFIELD — Attorney General Jim Ryan said Wednesday he still opposes a deal to sell the Rosemont casino license even though the state's take from the deal has nearly doubled to \$300 million, money sorely needed to help bail out a sinking budget.

And Ryan, also the Republican nominee for governor, renewed his threat to potentially block the deal in court if it is inked. When the offer was \$160 million for the state, Ryan criticized it and said he'd consider taking legal action to stop it.

"That hasn't changed," Ryan, the state's lawyer, said during a Capitol news conference. "I don't think we should lower our standards despite the fact we have some revenue problems here." The state faces a more than \$1 billion deficit.

Ryan's Democratic rival for the governor's office, Rod Blagojevich, also repeated his opposition to any deal that benefits the current ownership of the casino license.

At issue is the much-ballyhooed attempt to put a riverboat casino in Rosemont.

A group called Emerald Casino has the state gambling license for that potential site. But the Illinois Gaming Board stopped Emerald from ever building the casino because of alleged mob ties. MGM Mirage has offered to buy the casino license from Emerald in a \$610 million deal that would include millions for the state.

The state's share of this latest offer, disclosed earlier this week, would be \$250 million from MGM, plus an additional \$50 million from the Flynn family, the key Emerald investors, who are also accused of being at the heart of the mob ties.

Gaming Board members are expected to discuss the offer at their next meeting on April 16.

While the negotiations and offers continue, there is still a standing recommendation from the Illinois Gaming Board that the gambling license be taken away from Emerald Casino and the Flynns. The Flynns have appealed. A hearing on the case begins May 20.

Ryan said the board should continue to pursue revoking the license rather than negotiate a deal that involves the Flynns. "I don't think they (the Flynns) should make any money, and that's the bottom line," Ryan said.

Kevin Flynn, one of the embattled investors, had no comment Wednesday.

But the lawyer Emerald Casino brought in to help broker a possible settlement said Ryan may have been busy campaigning and not know all the facts.

"My comment is that the attorney general I'm sure has been very busy on matters other than Emerald in the last several months. It's my belief that if he were apprised fully of all of the facts regarding this matter that he would not be of the same view," said lawyer C. Barry Montgomery.

Montgomery said the problem with the court case is it could drag out for years, while the state would lose money and the local economy would be without the jobs that would have been created.

"It's our belief that the best solution is to settle the matter," Montgomery said.

(Indicate page, name of newspaper, city and state.)

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A disunited Emerald plea

Bears-connected investors have mixed opinions

BY SHAMUS TOOMEY

Daily Herald Staff Writer

With the backing of Connie Payton and her group of minority investors that had once been estranged from the company, Emerald Casino Tuesday laid out its latest offer to bring the Rosemont casino project out of legal limbo.

Appearing before the Illinois Gaming Board, Emerald attorneys and investors pleaded with the regulators to sign off on a \$615 million deal to sell the troubled project to MGM-Mirage and wipe away a slate of legal fights, including the panel's attempt to strip Emerald of its gaming license based on allegations of lies and mob ties.

But not every investor urged the board to approve the deal.

In fact, not even every Emerald investor with ties to the Chicago Bears supports it. Shaun Gayle, a former Bear who bought into the project, told the gaming board the latest Emerald-MGM deal is a bad one.

Whether any of the pleadings or mixed-messages made an impact on the board was unclear. Board officials would not say if they are considering the deal, or if they want to broker a new one as they indicated last month. "They wanted to make a presentation, so they made a presentation," Chairman Gregory Jones said. "You listen. You hear what people have to say."

The deal calls for Emerald to send \$250 million to the state to settle existing lawsuits. In addition, embattled majority owners Donald and Kevin Flynn would contribute another \$50 million.

Emerald attorney C. Barry Montgomery told the board stalling a deal would be a losing venture for

the state because hundreds of millions in tax dollars would be lost while the case is in court. "Regardless of the ultimate outcome, at the end of the day, both sides will lose if this matter is not settled," Montgomery said.

Meanwhile, Connie Payton's group of female, black and Hispanic shareholders, which at one time offered to send any of its profits to the state in return for a settlement, urged the board to approve the deal. Some of that group would profit from a sale, although they plan to reinvest with MGM.

"I don't think there's anything wrong with wanting to get a return on your investment," said Payton, the widow of the late Chicago Bear great Walter Payton.

Payton said her group of investors, which owns 20 percent of the project, did a background check on MGM and its practices and found the company to be suitable.

But Gayle argued that Emerald could find more than \$615 million, and he said it was a bad deal for the minorities and female investors. Gayle insisted there is nothing in writing guaranteeing the investors can buy back in.

Gayle also said that after the state gets its cut of the \$615 million sale and the Flynn's get theirs, he will be left with less money than he originally invested.

Connie Payton said she sometimes regrets that her husband ever got mixed up in the deal, an investment she learned of after his death from bile duct cancer.

"Honestly, I kind of enjoyed my quiet life being a stay-at-home mom, and doing my own thing and being with my kids and really not having to be involved with deals like this," she said.

(Indicate page, name of paper, city and state.)

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Stephens: Casino will allow bids for license

BY CHRIS FUSCO
STAFF REPORTER

Rosemont Mayor Donald E. Stephens sees the writing on the wall: His town is about to be aced out of its long-sought casino.

Executives of Emerald Casino Inc., Stephens said Thursday, are aiming to settle their dispute with the Illinois Gaming Board over the unfinished casino in Rosemont by agreeing to let the state control a process that would see Emerald's casino license put up for bid. Rosemont might not get the casino then because other communities could apply to get it.

Emerald shareholders would see returns of around 8 percent on their original investments from proceeds of the sale of the license, Stephens and other knowledgeable sources said.

But it was unclear Thursday if investors accused of wrongdoing by the Gaming Board would be allowed to profit. They include Kevin and Donald Flynn, who were accused by the Gaming Board of lying to its investigators and accepting two investors the board later linked to the mob. Kevin Flynn, Emerald's chief executive, could not be reached Thursday.

An Emerald investor, speaking on condition of anonymity, said the company's directors are ready to accept the deal, adding, "If they don't take it, they're dead meat."

Whoever buys the license would assume responsibility for lawsuits against Emerald, Stephens said, citing his conversations this week with people inside Emerald and the state government. He said the buyer would pay Rosemont \$43 million for work on a parking garage next to what was supposed to be Emerald's gaming barge off Interstate 294. Remaining proceeds from the sale would go to the state, Stephens and the other sources said, citing a deal they said the Gaming Board and Emerald negotiators have tentatively agreed to.

Stephens said the proposal would violate state law, and moving the state's 10th and final casino license out of Rosemont might make the license less valuable. Rosemont is a prized spot for a casino because of its convention center and proximity to O'Hare Airport.

The Gaming Board is to discuss the proposal today. But board member Tobias Barry said any deal would be "complicated" and "whether anything would come of the meeting is questionable."

An administrative hearing is set to begin Monday at which details of Emerald's alleged wrongdoing will be aired. Emerald went to court Thursday but failed to get the hearing delayed.

It previously was trying to work out a deal to keep the casino in Rosemont and give the state more than half the proceeds of the company's proposed \$615 million sale to MGM Mirage of Las Vegas, which would operate the casino.

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CHICAGO
TRIBUNE
5-20-02

State to show hand at casino hearing

Emerald investors seek delay, deal

By Douglas Holt

Tribune staff reporter

Barring an 11th-hour deal, allegations of mob ties and chronic deception leveled against the politically connected investor group trying to open a casino in Rosemont will go under a public microscope for the first time this week.

At a trial-like hearing in the Loop chambers of the state Supreme Court, the Illinois Gaming Board will lay out its case for refusing to allow the troubled Emerald Casino Inc. to open in Rosemont despite a 1999 state law written to virtually assure that.

The hearing, now scheduled to begin as early as Tuesday and expected to last six weeks, was sought by Emerald officials to rebut board charges against them. But faced with the prospect of a string of embarrassing revelations, Emerald lawyers now dismiss the proceeding as a "kangaroo court" and have tried to stop it with procedural maneuvers and legal appeals.

At the same time, the company has been seeking board approval to sell its rights to the casino to a Las Vegas-based company with less baggage, a transaction that would negate the need for the hearing. The board has balked at several proposed deals that would hand profits to Emerald Casino investors, but negotiations continued over the weekend.

Board lawyers contend that the casino company is trying to avoid a public airing of the charges because the board intends to produce documents and a parade of witnesses that could paint shareholders in an unflattering light.

"This case presents one of the more striking examples of misconduct by a regulated entity to be found in the recent annals of Illinois business history," Gaming Board lawyer Robert Shapiro wrote in a recently filed legal brief.

The witnesses may include financial experts familiar with accusations that principal Emerald owner Donald F. Flynn helped artificially inflate the value of other companies in which he played a key role, in-

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CASINO: Board plans to shed light on investors

CONTINUED FROM PAGE 1

cluding the former Oak Brook-based Waste Management Inc., the Tribune has learned.

Flynn was the audit committee chairman of Waste Management's board of directors during a time in the mid-1990s that coincided with an alleged accounting scandal at the waste hauler. The controversy eventually led the firm and its auditor, Arthur Andersen, to pay \$220 million to settle shareholder lawsuits, and several officials of the firm—though not Flynn—were recently charged in federal indictments emanating from the scandal.

Flynn and relatives own more than a 50 percent stake in the Emerald, but the board has subpoenaed dozens of other investors as well, including Nick S. Boscarino, who the Gaming Board contends is a "known associate of organized crime."

Boscarino, who is awaiting trial on federal charges that he defrauded an insurance plan for the Village of Rosemont, was a former business partner and friend of Rosemont Mayor Donald Stephens, who board officials say may be one of the first witnesses called to testify.

Board lawyers also intend to delve into the hiring of an allegedly mob-connected firm, D&P Construction, to perform casino site work.

"As the board will demonstrate at the hearing, this was

Tim Degnan.

"Did you know she was married to an important person when you met her?" asked a lawyer. "Did you know she was married to Timothy Degnan?"

"I believe she told me that," McQuaid said.

"Were you concerned at all about having participants who were close friends to Mayor Daley?" the lawyer said.

"I was ambivalent," McQuaid said.

Board lawyers are also expected to present evidence that top Emerald officials allegedly struck secret deals with clout-heavy businessmen to secure lobbying help to win legislative approval for the casino. Other evidence expected to be introduced will show that Emerald officials secretly began construction without board permission and then sought to mislead regulators about what they had done, board lawyers said.

The hearing, which was to have begun Monday but was ordered delayed over the weekend to accommodate more objections from Emerald, will resemble a bench trial, although it will be presided over by Administrative Law Judge Herbert Holzman.

Holzman will consider whether the board acted reasonably last year when it determined that Emerald's ownership group was unfit to run a casino in Illinois. He will then recommend to the regulatory panel whether he thinks it should stick by its original decision or reverse it.

If the board rejects Emerald again, the casino group can appeal to the Illinois Appellate Court.

Burden on Emerald

Gambling law in Illinois, as in other states, requires that

(Mount Clipping in Space Below)

Board mum on casino buyout idea

Governor wants decision soon

By Douglas Holt
Tribune staff reporter

The Illinois Gaming Board emerged from a closed-door meeting Thursday tight-lipped on the fate of a long-stalled casino in Rosemont, despite pleas from the governor's office for a swift decision on a deal that could jump-start the project and ease the state's budget crisis.

The board repeatedly has rejected efforts to move ahead with the Emerald Casino but hastily convened the meeting to reconsider its stand after top aides to Gov. George Ryan met individually with board members Monday and stressed the dire fiscal problems facing the state.

Robert Newton, Ryan's chief of staff, and Budget Director Steve Schnorf told Gaming Board members they had no intention of pressuring them to approve the deal. But they also said a settlement would bring the state hundreds of millions of dollars and reduce the need for tax increases.

Las Vegas-based MGM-Mirage Inc. has offered to buy rights to the casino for \$615 million, and the Emerald has proposed to turn over more than half the money to the

state to settle allegations that top casino officers lied to regulators and sold casino shares to investors with alleged mob ties.

In Springfield, Ryan told reporters he dispatched Newton and Schnorf to find out when and if a deal would be struck.

"If there's going to be a deal, I don't want it to come down in July or August," Ryan said. "We need the money now. If there's going to be a deal, let's find out. If there's not, let's find out."

On Thursday, Gaming Board Chairman Gregory Jones said he saw nothing inappropriate in the contact from the governor's office. But he added that the state's fiscal mess would not figure in his decision-making.

"I have to decide it on issues before me as a regulator," Jones said. "I think ultimately any decision we need to make is based on the merits of that particular settlement" offer.

After the closed-door session, the four board members refused to say what they discussed but gave no indication that they would move quickly on the casino.

There are signs that Emerald Casino may be digging in for an expensive legal battle rather than a lucrative buyout. At the Gaming Board's regular meeting Tues-

PLEASE SEE CASINO, PAGE 8

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CASINO: Signs point to expensive legal battle

CONTINUED FROM PAGE 1

day, it will consider a request from the casino company's lawyers for an infusion of cash, according to board Administrator Philip Parenti.

Meanwhile, Administrative Law Judge Herbert Holzman issued an order Thursday rejecting an attempt by Emerald lawyers to delay an appeal of the board's rejection last year of its casino proposal. Emerald's lawyers hope the appeal would be unnecessary if the MGM-Mirage deal is approved.

At the May 20 hearing, Gaming Board lawyers will lay out specific reasons the board moved to revoke the Emerald's casino license last year, includ-

ing details behind allegations of wrongdoing.

Emerald CEO Kevin Flynn told the Tribune last month that his family, which has a controlling interest in the casino, wants a "fair return" on money invested in the project.

But the idea of shareholders profiting from a contested casino license has come under a barrage of bipartisan fire.

"The Flynnns are entitled to their day in court. We should get to the bottom of these allegations," Atty. General Jim Ryan, the GOP nominee for governor, said Thursday. "If they're true, then they shouldn't, in my judgment, make a penny profit."

Jim Ryan said it was highly likely he would file legal action to block a settlement before this month's hearing that would allow the Flynn family to profit.

U.S. Rep. Rod Blagojevich, the Democratic candidate for governor, took a similar view of a settlement deal.

"I think it's the wrong deal with the wrong investors," he told reporters in a conference call.

(Mount Clipping in Space Below)

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Gaming board still says no to Emerald deal

BY SHAMUS TOOMEY

Daily Herald Staff Writer

The pile of money keeps getting bigger, but the answer remains the same: No.

The Illinois Gaming Board on Monday again rejected Emerald Casino's proposed sale of its embattled gaming license to MGM-Mirage, setting the stage for the start of what could become a bitter license revocation trial next week.

The rejection is the latest in a string of blows the board has landed on Emerald's owners, who were found unfit last year to open the casino they were building in Rosemont. When they tried to sell out to MGM last summer for \$615 million, the board put a stop to it.

Sale talks began again in earnest last fall, but the board has since rejected proposals that would have brought the state settlement sums of \$160 million, \$300 million and, most recently, \$330 million.

The latest deal was considered by the board last Thursday during a

four-hour closed-door meeting. It came just three days after Gov. George Ryan dispatched two top aides to talk individually with each of the four members of the board. The governor said no pressure was applied, but did say the aides carried the message that the state budget has a \$2 billion hole, and if the board was going to approve a deal, it needed to do it soon.

The talk apparently wasn't enough because the board opted last week to reject the deal. The decision was made public Monday after Emerald was notified.

In a one paragraph statement, the board said the \$330 million offer was declined, but negotiations would continue. Board officials, including Chairman Gregory Jones, declined to elaborate.

The continued negotiations could mean the board is trying to get Emerald to sweeten its offer and further reduce any profit made by owners Donald and Kevin Flynn. The father-

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Casino: Emerald fights to keep license

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and-son team have been accused of lying to board investigators and allowing two allegedly mob-connected men to buy casino shares.

A source close to the negotiations said if the state can negotiate a settlement between \$400 million and \$415 million, the remaining MGM money would be just enough for all shareholders to recoup their investments, for bills and fees to be paid off and for Rosemont to be compensated for the parking garage it built for the casino.

But the issue is about more than money. The board wants the right to decide where the casino will go after the license is sold, Emerald officials have said.

Rosemont officials have said they suspect regulators have problems, albeit unfounded ones, with Rosemont itself. Mayor Donald E. Stephens has been accused by the Chicago Crime Commission of

having friends with organized crime connections. He denies that.

Emerald and MGM officials declined to comment Monday.

Monday's rejections likely means next Monday's hearing on the revocation of Emerald's license will begin unimpeded.

The gaming board is expected to detail its allegations and present evidence against Emerald, which is fighting to hold onto the license. The hearing is to last at least eight weeks.

Dennis Culloton, the governor's spokesman, noted the upcoming hearing Monday, but still spoke of a potential deal.

"We may have some finality here soon," he said. "We're not counting on there being a deal, but if it's something that's possible, we'd like to know sooner rather than later."

• *Daily Herald State Government*
Editor John Patterson contributed to this report.

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Indexing:

Casino buyout rejected again

Gaming Board to make Emerald face judicial test

By Douglas Holt
Tribune staff reporter

The Illinois Gaming Board said Monday that it has rejected the latest buyout offer for rights to a long-stalled Rosemont casino, despite pleas from the Ryan administration to consider that the deal would include a big payout to the fiscally strapped state.

The board made the decision during a lengthy closed-door meeting last week but withheld announcement until Monday, a spokesman said.

The proposal would have allowed investors in troubled Emerald Casino Inc. to sell their shares for \$615 million to casino giant MGM-Mirage Inc. of Las Vegas. Emerald would have turned over \$330 million of the proceeds to the state to settle several legal and administrative challenges related to the casino and clear the way for the new owners to open in Rosemont.

Emerald and MGM have proposed several buyout plans in recent months, only to see them repeatedly turned down by the board despite terms that were sweetened to increase the state's take.

Board member Ira Rogal said the latest deal still would create a windfall for Emerald shareholders even though the panel had previously found the investor group unfit to run a casino in the state.

"They've been charged with wrongdoing," Rogal said. "The idea is not to let them profit much."

The board agreed to reconsider the buyout last week after members were lobbied by Gov. George Ryan's chief of staff, Robert Newton, and budget director, Steve Schnorf. In a carefully worded statement to the board, Newton and Schnorf did not advocate approval of the buyout but stressed the economic benefit to the state, which is struggling to close a gaping revenue hole.

On Monday, Ryan's spokesman said the governor accepted

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CASINO: Hearing to be held Monday

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the board's decision.

"The governor asked the board to try to resolve the issue," Ryan spokesman Dennis Culloton said. "Beyond that, we're going to leave the decision and negotiations to the Gaming Board."

C. Barry Montgomery, a lawyer for Emerald, said his clients were disappointed but planned to continue negotiations to restructure the deal and overcome board objections.

The rejection is a double blow to Emerald, which was hoping to get approval of a buyout before a hearing next Monday into its appeal of the board's allegations of wrongdoing against the investor group.

The board last year denied Emerald's bid to open a casino in Rosemont, accusing its offi-

cials of repeatedly lying to state regulators and selling shares in the project to two investors with alleged ties to the mob. The casino group sought next week's hearing in an effort to overturn the denial, but it could produce testimony that proves embarrassing to top Emerald officials, including principal owners Donald and Kevin Flynn.

So much interest has been shown in the proceedings that board officials have decided to hold them in the Loop chambers of the Illinois Supreme Court, which is larger than rooms typically used for such hearings. In addition, Herbert Holzman, the administrative law judge presiding over the hearing, is considering whether to allow television cameras to record the proceeding.

The Jim Ryan factor

Rogal said one factor weighing on the board in rejecting the deal was the strong opposition expressed by Atty. Gen. Jim Ryan, who has all but vowed to take legal action to stop a buyout if it hands a profit to the Flynn's or anyone else accused by the board of wrongdoing unless they are exonerated by Holzman.

"I do not suspect we'll say 'green light' without Jim Ryan," Rogal said.

Though it is difficult to pinpoint exactly how much Emerald investors would make off the proposed deal, Rogal said figures provided by the board staff show the amount would be considerable. The figures indicate Emerald's investors collectively poured in \$62 million to obtain their shares, although the group has outstanding liabilities—including more than \$40 million owed to the Village of Rosemont for construction of a parking garage—which eat into profits.

Attorney general spokesman Dan Curry said Jim Ryan "is pleased that it appears this matter is going to a hearing as it should. He believes that the issues raised in the board's revocation should be aired publicly so we can all get to the bottom of them."

Restructured deal urged

Gary Mack, a spokesman for Rosemont Mayor Donald Stephens, said it appeared that the Gaming Board was not budging and that the best response by Emerald investors would be to restructure the deal so they could recoup their investment and nothing more.

"One would think that the option of getting their money back as a break-even investment might not be such a bad deal," Mack said. "It's pretty clear they wanted a better offer from the Flynn's, and it appears they don't want the Flynn's to profit one iota."

In another setback to Emerald, Cook County Circuit Judge Sophia Hall said Monday that she will take no immediate action on a lawsuit filed by the casino group against the board. She said she will rule by July 1.

Emerald's lawyers argue in the lawsuit that a 1999 state law that casino officials lobbied for gave the board no choice but to approve the Rosemont operation, and they hoped a decision by the judge would trump the board's denial.

The state has argued that it has the power to deny the license.

Chicago Tribune

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EDITORIALS

Auction the casino licenses

When what was then known as the river-boat gambling law was signed in 1990, Illinois legislators cited two primary motives: Gaming boats would help ailing river towns that had lost manufacturing jobs, and new tax revenues would pump a few million dollars into public education each year.

But in the 10-plus years since the Alton Belle became the first of what are now nine Illinois casinos, many of those who own and operate them have come to view their state licenses as entitlements to be defended with political muscle. And with so much money on the table, who can blame them? By the time the legislature signed off on a state budget Sunday, many lawmakers had a bellyful of pushy lobbying on behalf of those who've become multi-millionaires thanks to licenses the state has handed out for next to nothing.

This year the bare-knuckled lobbying—and, to hear some legislators tell it, threats of political retribution against those who won't do its bidding—badly backfired. More than a few legislators see the swaggering industry as having grown far too influential in Illinois politics. One House member, fed up with the intensity of the casino lobbying, gathered up his belongings and threatened to quit—a show of petulance, yes, but one that others in the chamber could appreciate.

What the gaming lobbyists got out of Springfield is a fat tax increase. The list of what they failed to get as the days wore on included additional gaming positions at several casinos, the issuance of a new license to take the place of the disputed Emerald Casino license, the blockage of a tax increase, or a temporary tax increase that eventually would expire.

The industry now is looking for a way to beat back the tax increase. Casino operators think they're already paying the state enough. Last year the nine casinos grossed \$1.8 billion (after giving customers their winnings), and sent \$555 million to Springfield. The industry boasts that

it pays other taxes (property, sales, etc.) as well, and employs 11,000-plus people.

But casinos also have created fabulous wealth for their owners, and the ticket to that wealth is each casino's license. The frantic maneuvering that has marked Emerald Casino's so far unsuccessful attempt to put a casino in Rosemont is but one clue to the value of a gaming license.

So while casino operators brag about tax payments and employment numbers, they're more reluctant to admit they have a monopoly protected by the state—and certified by licenses that ultimately belong to the people of Illinois.

This state-protected monopoly is now so lucrative that Illinois should discontinue its system of routine renewals for licenses that brought the state almost no revenue when they were issued. Illinois instead should auction casino licenses for their fair-market value every few years.

Yes, this would require a phase-in to avoid penalizing casino operators who most recently acquired their licenses. And such a system would have to award licenses for a sufficient number of years to make casino investments worthwhile. Casino operators, of course, would fight an auction system; why would they want to give up their lucrative monopoly? They'd accuse lawmakers of suddenly changing the rules.

Maybe so. But as a group they can't argue that their returns to date haven't exceeded their wildest dreams, or that their right to renew their licenses indefinitely is God-given. This would not be the taking of a property right; Illinois Gaming Board rules specify that a license is a permission slip, not a piece of property. Besides, governments change rules all the time. That's why Illinois has a legislature—to alter policy in this and other public realms as circumstances dictate.

Gambling has created tremendous wealth. It's time for legislators to create an auction system that would give more of that wealth to those who issue gaming licenses: the citizens of Illinois.

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Rosemont mayor decries casino tax

BY CASS CLIATT
Daily Herald Staff Writer

Rosemont Mayor Donald E. Stephens criticized the state Wednesday for deciding to raise riverboat taxes, which he thinks could make a casino project less attractive to investors.

Stephens said it didn't make sense for legislators this week to agree to borrow millions to prop up the state budget, only to jeopardize revenue from casinos. He spoke out on the factors piling up to threaten the prospects of a riverboat coming to Rosemont, even as the hearing over possible wrongdoing by Emerald casino investors took a day off in Chicago.

"I just think this whole thing is completely off target if you're going to balance a budget," Stephens said of Illinois' casino tax plan. "The state's going to borrow \$750 million and flush \$350 million of real money down the sewer."

Stephens referred to a \$53 billion state budget plan that includes borrowing \$750 million from Illinois' share of an expected legal settlement



Donald Stephens

with tobacco companies, estimated at \$9.1 billion.

MGM-Mirage Inc. has withdrawn a \$615 million offer to buy out the languishing Emerald Casino deal, citing the increased casino taxes as

part of the reason.

The budget package the legislature approved this week raises taxes on casinos from 35 percent to 50 percent. The package needs the governor's signature to take effect. The new taxes wouldn't hurt the 72 Illinois communities expected to receive shares of revenue from a Rosemont casino, Stephens said.

But building one "is certainly not going to be as attractive in Rosemont, or anywhere else in the state," he said. Stephens also lashed out at the Illinois Gaming Board's continued allegations of mob connections and secret deals highlighted in early testimony during the license-revocation hearing in Chicago. The hearing is

allowing state regulators to assert their position that Emerald should lose its casino license because of shareholders' possible mob connections and lies supposedly told the gaming board.

Rosemont officials denied that a letter of intent dated July 1999—and signed by Emerald's management and Stephens—was an agreement to keep a lid on plans to build a riverboat in Rosemont. "What happens is the parties have agreed to the basic terms of negotiations," Rosemont village attorney Peter Rosenthal said. "It's standard to have secrecy clauses. ... That letter is not discloseable until after the contracts are signed."

Such memos are common between municipalities and developers, but the gaming board is "trying to make something sinister out of all this," Stephens said.

He stopped short of supporting accusations made by Emerald attorneys that Gaming Board Chairman Gregory Jones is blocking the Rosemont casino because of a grudge against the village. However, the mayor thinks Jones should recuse himself from dealings with the casino

based on his involvement with an unsuccessful federal prosecution of Stephens 18 years ago. Stephens was acquitted twice of fraud charges.

"I'm not going to accuse the chairman of anything, but the gaming board has consistently said there shouldn't be an appearance of any conflict of interest involved," Stephens said.

For the first time, the mayor seemed to cast doubts on the prospects of a casino coming to Rosemont. During a meeting with the village board, he said Rosemont is moving forward on construction on a ring road "for what would have been the casino."

"We are looking at other developments for that site," Stephens said about the entertainment district Rosemont established around the proposed casino. He complained about the \$6.9 million in loan payments trustees had to approve for unreimbursed work on the casino site. Stephens later clarified that his frustrations over the project don't mean he's giving up. "I never throw in the towel," he said. "But I am getting sick of it."

Emerald official says MGM's exit from buyout no surprise

BY SHAMUS TOOMEY
Daily Herald Staff Writer

The proposed \$615 million buyout of Emerald Casino has been yanked off the table by MGM-Mirage, which said the Illinois legislature's plan to boost gaming taxes to as high as 50 percent made the embattled deal "uneconomic."

The prospect of selling the proposed Rosemont casino to MGM had been in doubt anyway because Attorney General Jim Ryan made clear he intended to block it because of alleged wrongdoing by Emerald's

majority owners.

Emerald attorney C. Barry Montgomery said MGM's pullout was not unexpected for two reasons: the proposed tax hike from 35 percent to 50 percent, and the gaming board's reluctance to approve a settlement.

Ryan has said he wants Emerald to go through with a license revocation hearing to fully air state regulators' claims that it should lose its license for having shareholders with alleged mob ties and because of alleged lies Emerald told to gaming board investigators.

That hearing entered its first day of

testimony Tuesday as former gaming board Administrator Sergio Acosta took the stand. Acosta said Emerald officials, in their license renewal application submitted to the state in 1999, claimed none of the company's shareholders was related to public officials.

But he said two proposed shareholders were public officials — Chicago Transit Authority board member Susan Leonis and Norwood Park Democratic Committeeman Robert Martwick. And proposed shareholder John Sisto is a nephew of state Rep. Ralph Capparelli, a

Chicago Democrat involved in the law change that allows a casino in Rosemont.

Emerald attorney Michael Ficaro said company officials were not aware in 1999 that any shareholder had political ties. But, he said, it was up to the gaming board to investigate the shareholders, not Emerald. The casino, in fact, asked each shareholder to send its public disclosure form straight to the gaming board, he said.

The hearing was postponed Wednesday due to a witness' relative being seriously ill.

Suburban job market shows a few glimmers of hope for recovery

BY MARNI PYKE
Daily Herald Staff Writer

If doughnuts and flowers are good economic indicators, their appearance at the Lisle Township Job Club

would seem to be a good sign.

The treats were brought in Wednesday by two club members to celebrate their recent job offers.

But the crowded room at the club meeting in Naperville showed there's

still a lot of area residents scanning the want ads. The April jobless rate was 4.8 percent for all of DuPage County and 6.6 percent for Will County.

But it's not all bleak for job-seekers.

Glen Murrin, a manager at the Illinois Department of Employment Security in Lombard, has noticed there aren't as many new claims for unemployment insurance being filed.

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6/7/02

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It was unclear Wednesday how Snieg came to work at St. Thomas in Palatine. Rev. Ray Yadron, pastor at Snieg's church, said Snieg worked there.

PLEASE SEE CHURCH, PAGE 6



Tribune photo by Mario Petitti

come on Wednesday.

and body team girl

me from father, Jamal, surrounded by Nassim's friends Wednesday morning. "My house, a funeral for my daughter. I can't believe it."

Authorities said the two suspects—a man from the Elgin area and a friend from California he had met on the Internet—were being questioned by prosecutors from DuPage and Cook counties late Wednesday. Investigators were working to determine my house " said her

PLEASE SEE MISSING, PAGE 6

Casino's lawyers hit memo from FBI Judge to review evidence's merit

By Douglas Holt
Tribune staff reporter

Attempting to dismantle a key part of the case against Emerald Casino, the company's lawyers Wednesday tried to block the admission of evidence that includes an FBI memo that the Illinois Gaming Board says links the company to the mob.

At a hearing into the Gaming Board's denial of a license to build and operate a casino in Rosemont, Emerald's lawyers argued that the evidence should not only be barred from consideration, but the administrative law judge presiding over the matter shouldn't even have a chance to look at the documents.

"The majority of these materials are hearsay," Emerald lawyer Ross Kimbarovsky said.

The judge, Herbert L. Holzman, rejected that argument and said he would personally review the documents and decide whether the evidence should be considered.

The most hotly contested evidence is an FBI report concerning two investors in the casino deal: Nick S. Boscarino, a former business partner of Rosemont Mayor Donald E. Stephens who was charged this year with allegedly running an insurance scam, and Vito Salamone.

According to the Gaming Board, both men have ties to organized crime.

Emerald officials originally

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EMERALD: FBI memo on investors is targeted

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listed Salamone as a proposed shareholder, only to switch the name later to his brother, Joseph.

On Wednesday, Joseph Salamone's lawyer, Stephen Fiorentino, unsuccessfully sought to intervene in the hearing to exclude the FBI report and other evidence, arguing that the information shouldn't be allowed because it hadn't been corroborated.

The FBI has told the Gaming Board as much.

In a letter, Kathleen McChesney, the Chicago office's former special agent in charge, said the agency wanted to "emphasize

If it's not credible and not admissible in a courtroom, why should it be allowed here to damage somebody's name?

—Stephen Fiorentino, lawyer trying to quash FBI documents

that the information being disclosed contains neither the recommendations nor the conclusions of the FBI."

The FBI memo was provided to the board on Nov. 17, 2000, two months before it denied the company permission to operate a casino in Rosemont.

However, the letter went on to say the FBI shared an interest with the Gaming Board, prompting the federal agency to open its files on Vito Salamone and Boscarino.

In comments before the administrative judge and to reporters, Fiorentino said Wednesday that the process has been unfair to Salamone, whom he described as an Oak Park grocer whose wife and children have been ridiculed because of

the state's allegations.

"If it's not credible and not admissible in a courtroom, why should it be allowed here to damage somebody's name?" Fiorentino said of the FBI documents. "I think it's unfair to brand somebody with allegations that are unsubstantiated."

The board offered Boscarino and Salamone a deal: They could review the confidential FBI documents if both commit to appear at the hearing.

Boscarino's lawyer, Joseph Bisceglia, declined to comment on the issues before the hearing and the deal offered by the Gaming Board, and Fiorentino said he would discuss the matter with Salamone.

Gaming Board lawyer Robert Shapiro said the FBI memo is just one piece of evidence of mob ties to the casino that would be corroborated by testimony.

Lawyers for Salamone and Emerald argued the FBI evidence would be inadmissible in a civil or criminal case or an administrative hearing because it hasn't been corroborated.

But Shapiro said the hearing on whether Emerald should have been allowed to hold one of the state's 10 casino licenses is operating under Gaming Board rules that allow such evidence.

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Greg Kot, Rock critic

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NW



Mary Schmich

Graduation means learning art of letting go

Life is a series of separations. Some people learn this young. Their mother and father split up. Someone they love dies. Their parents make them move to a new house or

Casino buyout off the table

MGM-Mirage cites tax increase in budget deal

By Douglas Holt
Tribune staff reporter

MGM-Mirage Inc. has rescinded its \$615 million offer to buy the stalled Emerald Casino proposed for Rosemont, saying state lawmakers creat-

ed a hostile environment for casino operators when they increased casino taxes as part of a budget deal.

As the first witness testified Tuesday in a hearing into allegations of wrongdoing by top Emerald executives, MGM-Mirage officials said they were no longer interested in participating in any kind of settlement to resolve the controversy surrounding the troubled license.

"The philosophy of the legis-

lature apparently is when it gets into a situation of needing more money, it just raises taxes of the gaming industry alone," MGM-Mirage spokesman Alan Feldman said. "If that's the attitude, maybe there are other places our money is invested more responsibly."

Emerald lawyer C. Barry Montgomery said the tax increase—from 35 percent to 50 percent for the most lucrative boats—could have been avoid-

ed if the Illinois Gaming Board accepted a settlement. But he said a new buyer could be found, even though the casino's value had been reduced.

"The Gaming Board is stonewalling any attempt to settle this case," he said. "It's beyond reason."

MGM-Mirage's offer to buy out Emerald appeared to be collapsing even before the announcement. Emerald officials said last week it was ceasing efforts to settle its dispute

with the Gaming Board by selling its interest in the Rosemont license to MGM-Mirage.

In addition, Atty. Gen. Jim Ryan, the GOP nominee for governor, has said he could not conceive of any buyout that would not reward alleged wrongdoers at Emerald and vowed to block such a deal.

Instead, he has urged the board to proceed with the hearing to get to the bottom of

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CASINO: Ex-regulator says Emerald concealed plan

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allegations that top Emerald officials repeatedly lied to the Gaming Board, sold shares to two mob-tied investors and allowed a mob-controlled firm to work on the casino construction site.

At the hearing Tuesday, Gaming Board lawyers called former Gaming Board Administrator Sergio Acosta as their first witness. Acosta testified that the would-be casino company concealed efforts it was making to begin construction on the casino and also failed to identify three public officials or relatives who were offered shares in the casino.

In questioning Acosta, Gaming Board lawyer Michael Fries pointed to a July 1999 letter of intent signed by Emerald Vice President Joseph McQuaid and Rosemont Mayor Donald Stephens. The letter laid out a detailed plan to build a casino in Rosemont—and an agreement to keep the plan secret.

The letter of intent specified that the casino would pay Rosemont \$1.5 million per year in rent for the land. It included a minimum \$4 million-a-year pay-



Tribune photo by Chris Walker
Sergio Acosta, former administrator of the Illinois Gaming Board, testified Tuesday.

ment to Rosemont for tourism and economic development. It said the casino would build a parking garage for Rosemont—all terms that wound up in Emerald's final contract seven months later.

The letter of intent bound McQuaid and Stephens to disclose nothing in the deal "unless required to do so by court order."

Among those kept in the dark was the Gaming Board, according to Acosta, who said the letter was never turned over despite repeated requests beginning in August 1999 for all construction-related contracts and agreements with governmental agencies. Gaming Board officials say the agency's rules required that the material be disclosed.

Acosta also testified about Emerald's application, which identified no public officials or relatives as shareholders.

In fact, Acosta said, the casino's shareholders included three people who should have been identified: attorney Robert Martwick, a Democratic township committeeman; Susan Leonis, a member of the Chicago Transit Authority board; and John Sisto, nephew of state Rep. Ralph Capparelli (D-Chicago), whose legislative office served as the "war room" in 1999 to secure votes for legislation designed to pave the way for a casino in Rosemont.

Also Tuesday, lawyers for two casino shareholders with alleged mob ties were on hand, and one, Stephen Fiorentino, asked to intervene in the case.

Florentino, a lawyer for Joseph Salamone, said there is "no basis" to allege any mob ties to his client. A lawyer for Nick Boscarino, a former friend of Stephens' recently indicted on federal charges, declined to comment.

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Mary Schmich

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Pop culture is the giant mirror in which Baby Boomers are forced to see their waning powers, and so the news that Rolling Stone just hired a young British editor has been greeted as if this were not another grown-up's foot on a

Rosemont tries to cash out

**Town asks court
to seize Emerald,
sell its assets**

By Michael Higgins
and Douglas Holt
Tribune staff reporters

In a hardball maneuver designed to force action on a Rosemont casino, village officials asked a federal judge Thursday to declare belea-

guered Emerald Casino Inc. bankrupt and sell its assets—including its disputed gambling license—to the highest bidder.

Rosemont officials hope bankruptcy will take the sale of Emerald's license out of the hands of the state Gaming Board, which has blocked agreements in the past, and give control to a federal judge. The judge, in turn, could put the state's final remaining license in the hands of a court-appointed trustee, who might

*'Jim Ryan is not going
to thumb his nose at the
federal court system.'*

—Robert Stephenson, Rosemont attorney

be able to sell it and pave the way for a casino in Rosemont.

That scenario is riddled with questions, from the likelihood of forcing bankruptcy in the first place to whether

bankruptcy would threaten Emerald's claim to the license. But even Thursday's first step was enough to cause turmoil, forcing a halt to a separate administrative battle between Emerald and the Gaming Board.

If a bankruptcy claim were to progress as Rosemont lawyers hope, the proceeds from the sale of Emerald's license would go first to pay off the village and four other creditors who claim they are owed \$46.7 million for construction work

at the casino site.

Additional proceeds would go to dispose of ongoing lawsuits. And Rosemont lawyers believe the remainder would go to the Gaming Board, allowing the board to decide how to reimburse Emerald shareholders and what should go to state coffers.

Emerald has 20 days to respond to the petition. U.S. Bankruptcy Judge Susan Pierson Sonderby could hold a

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CASINO: Rosemont calls inquiry separate deal

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hearing and rule on the petition in the next four to six weeks, Rosemont attorneys said.

Illinois Atty. Gen. Jim Ryan's office, which represents the Gaming Board, could present the board's views in Bankruptcy Court, but Sonderby would make the final call on any sale, said Rosemont attorney Robert Stephenson of Chicago.

"Jim Ryan is not going to thumb his nose at the federal court system," Stephenson said. "He cannot stop a federal Bankruptcy Court from exercising its jurisdictional powers."

Stephenson said the board would retain the power to decide if the new owners of the license are suitable, and to fine or discipline any Emerald shareholders who violated state law.

Rosemont attorney Sal Barbatano said Thursday the village was not asking the Bankruptcy Court to stop the inquiry to determine whether Emerald's license should be revoked. But at the hearing Thursday, the bankruptcy petition prompted Emerald to ask for a delay.

Administrative Law Judge Herbert Holzman sent home the day's witness, former Gaming Board Administrator Michael Belletire, to seek clarification on what to do. The hearing is set to resume Monday.

In a written statement later, Gaming Board Administrator Philip C. Parenti said the bankruptcy filing "should not interfere with the progress of the disciplinary hearing to revoke the license."

Ryan spokeswoman Lori Bolas said the move was under review, but signaled no change in Ryan's insistence that an open hearing be conducted to get to the bottom of allegations that Emerald officials lied to the board and sold shares to investors with mob ties.

The casino group's lawyers had little comment Thursday.

"We're consulting with bankruptcy lawyers," Emerald lawyer C. Barry Montgomery said.

To push Emerald into involuntary bankruptcy, the creditors must show it is not paying

most of its undisputed debts as they come due, said H. Bruce Bernstein, a bankruptcy attorney in Chicago.

If the judge declares Emerald bankrupt, the proceeding will bring together all of the company's creditors and other people with claims on its assets, such as California billionaire Marvin Davis, who has filed suit claiming he had an agreement to buy part of the company. That could give additional leverage to Rosemont, which has filed its own lawsuit against Emerald, alleging that it broke a lease with the village.

It will then be up to the court to sort out the competing claims on assets.

Board officials voted last year to revoke Emerald's license after concluding that top Emerald officials had lied to state investi-

*A bankruptcy filing
'should not interfere with
the progress of the
disciplinary hearing to
revoke the license.'*

—Illinois Gaming Board Administrator
Philip C. Parenti

gators and sold casino shares to two investors with mob ties. Emerald appealed that decision to Holzman.

Gaming Board sources Thursday questioned whether a Bankruptcy Court could order the sale of a license that, according to the Gaming Board, should not belong to Emerald.

Rosemont's view is that Emerald retains its license until its appeals are exhausted.

"As we speak, Emerald Inc. has a gaming license," Stephenson said. "Not active—but they have a gaming license."

If Emerald is declared bankrupt, that could provide the Gaming Board with one more reason to revoke the license.

Gaming Board rules state that "any bankruptcy, liquidation [or] reorganization" of a casino company may cause the board to take disciplinary action, including license revocation.

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Julia Keller, Culture critic

Chicago Tribune



Business

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No fiddlin' for the Fourth
Why Charlie Daniels, Toby Keith are off July 4 TV specials



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Emerald back to gaming board with offer

BY SHAMUS TOOMEY
Daily Herald Staff Writer

Company asks officials to let its investors sell Rosemont casino license and get their money back

Despite repeated rejections of previous offers, Emerald Casino on Friday pitched a new settlement plan in hopes of bailing itself out of a license revocation hearing that already has dredged up allegations of mob influence, cronyism, secret deals and lies told under oath.

The latest deal would strip away any profits for Emerald investors, according to a source close to the negotiations.

The previous deal rejected by the Illinois Gaming Board would have

allowed for an 8-percent-a-year return for any investor not accused of wrongdoing.

The rest of the new plan was not disclosed.

In its last deal, Emerald offered the state \$530 million to let it sell its license and climb out from a pit of disciplinary actions and lawsuits. Emerald also agreed to let the state choose which company and town would get the license.

Emerald already had begun building in Rosemont before a probe

uncovered alleged wrongdoing that led to the revocation hearing.

Gaming board officials wouldn't comment on the new offer, but have scheduled three special meetings, the first on Wednesday, to consider it.

The board is expected vote on the plan at the last of the public meetings, a move that was not taken regarding the previous settlement offers. With those, the gaming board rejected the proposals in closed-door, executive sessions. The date for that final meeting has

not been set.

A key player in any decision will be Attorney General Jim Ryan, the GOP gubernatorial candidate who has said he "can't conceive of any deal" that his office could approve.

Ryan spokesman Lori Bolas on Friday said the attorney general is reviewing the latest offer, but gave no indication he had changed his mind. "The attorney general still thinks the revocation hearing should go forward," Bolas said.

The new offer will be pitched to

the board Wednesday, in part, by Special Assistant Attorney General Robert E. Shapiro, who has led the revocation case against Emerald.

Emerald attorney C. Barry Montgomery was optimistic, but acknowledged he didn't know whether Ryan would block a deal.

"I have not discussed it with the attorney general, only with his authorized representative, Mr. Shapiro," Montgomery said.

"I believe this proposal addresses the concerns that have been

expressed to us. Do I have an affirmation from the attorney general that he's going to approve this? No."

Rosemont Mayor Donald Stephens learned of the latest offer from a reporter. Rosemont is owed \$45 million by Emerald for a parking garage it built for the casino, and the village last week sued to try and force Emerald into bankruptcy.

"Frankly I'm surprised they're having this meeting and nobody bothered to talk to us," Stephens said. "Goodness gracious. I don't know how to take it. It makes a great B movie."

NORTHWEST

TUESDAY

JUNE 25, 2002

★

NW

Rosemont tries to foil casino deal

**By Douglas Holt
and Michael Higgins**

Tribune staff reporters

Faced with losing a lucrative casino to another town, Rosemont on Monday sought to block a proposed settlement that would resolve the long-running dispute surrounding the gambling license by putting it up for bid.

A federal bankruptcy judge is scheduled Tuesday to consider Rosemont's request for a restraining order blocking the settlement that Illinois Gaming Board Administrator Philip Parenti plans to lay out in a public meeting Wednesday.

The deal would auction off the license held by Emerald Casino, allowing a casino to be built elsewhere.

In seeking to block the settlement, Rosemont also named Emerald owners Donald and Kevin Flynn and said it would move for damages against them. A settlement would deprive Rosemont of \$5.5 million in annual revenue expected from the casino; the village argued.

In a letter last week, Rosemont gave the state and Emerald until noon Monday to cease settlement talks, saying the discussions were illegal in light of the village's effort to have Emerald declared bankrupt.

Village officials hope bankruptcy will lead to the appointment of a trustee to sell the casino license and retain agree.

PLEASE SEE CASINO, PAGE 4

CAMPAIGN 2002

Ryan accuses foe of lie on résumé

NW 6/24/02

JMK

194B-CG-114999-NC-108

CASINO: New details surface about proposed deal

CONTINUED FROM PAGE 1

ments for the casino to be located in Rosemont.

But Parenti said state lawyers had concluded that the Gaming Board operates beyond the purview of Bankruptcy Court.

"We're not going to accede to any arbitrary deadlines set at high noon by Rosemont's attorneys," Parenti said. "No one can restrain the administrator, on behalf of the Gaming Board, from attempting to negotiate the best settlement in the interest of the state of Illinois."

The conflict is the latest turn in a dispute set off in January 2001 when the Gaming Board denied Emerald permission to open its casino in Rosemont. The board accused top casino officials of repeatedly lying to regulators under oath, selling shares to two people with alleged mob ties and hiring a mob-connected firm to work on the casino site.

New details of the latest settlement offer surfaced in documents filed in federal court Monday.

Under the proposal, Emerald shareholders would be paid only their original investment. The buyer, dubbed "New Emerald," would be liable for lawsuits filed by Rosemont or casino construction firms.

The new company also would be responsible for more than \$20 million in loans from the Flynns to Emerald, salaries for several Emerald employees, \$187,000 in accounting services and most legal fees.

Any remaining cash would go to the state.

Notably, the Flynns would be responsible for settling claims related to a lawsuit filed by California billionaire Marvin Davis.

That suit alleged that Kevin Flynn secretly negotiated to sell

behalf of the Gaming Board, from attempting to negotiate the best settlement in the interest of the state of Illinois."

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Notably, the Flynns would be responsible for settling claims related to a lawsuit filed by California billionaire Marvin Davis.

That suit alleged that Kevin Flynn secretly negotiated to sell large stakes in the casino to Davis and Arlington Park Chairman Richard Duchossois in exchange for lobbying for a 1999 law that allowed the casino to go to Rosemont.

Illinois Atty. Gen. Jim Ryan has rejected settlement proposals that he said would benefit alleged wrongdoers. The allegations should be considered in a public appeal hearing, he has said.

The effort to block the settlement came as Gov. George Ryan appointed labor lawyer Violet Clark to the Gaming Board, filling a vacancy created when board member Robert Mariano resigned in April.

Clark, 45, of Chicago said her analytical skills—honed in private practice and as a hearing officer for the Chicago Commission on Human Relations and the Cook County Commission on Human Rights—might be useful in the Emerald dispute.

Drug court program for



Chicago Tribune

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TUESDAY, JULY 2, 2002

50¢



AP photo by Charles Rex Arbogast

A 6-year-old girl rests as she recovers from her wounds at a Kandahar hospital Monday. Dozens of villagers died, witnesses said.

'Errant' U.S. bomb hits Afghans

Wedding party
apparently struck

By Michael Kilian
Washington Bureau

WASHINGTON—A U.S. air attack in south-central Afghanistan may have killed dozens of civilians attending a village wedding party and injured scores more.

The circumstances remained unclear Monday. Afghan offi-

that Afghans were firing weapons in the air during a wedding, as is common in rural parts of the country, when U.S. planes attacked. The Pentagon said forces from the U.S.-led coalition were responding to an attack.

A B-52 bomber and a rapid-fire AC-130 artillery gunship "struck several ground targets, including the anti-aircraft sites that were engaging the aircraft," said Defense Department spokesman Lt. Cmdr. Jeff Davis. At least one of the bombs drop-

We don't know where it fell," he said.

The Pentagon said it had begun an investigation into the incident, which took place about 100 miles north of Kandahar in Oruzgan province.

Afghan officials and witnesses reported that at least 30 members of the wedding party in Kakarak were killed. That toll would be the highest loss of civilian life at U.S. hands since the war began on Oct. 7.

The coalition operation, conducted Sunday and Monday, "may have resulted in civilian

casualties," the Pentagon acknowledged.

A team of U.S. military and State Department officials, representatives of the Afghan government and two members of the news media were being dispatched immediately to assess what happened, the Pentagon said.

"We understand there were some civilian casualties during the operation," U.S. Army Col. Roger King said at the Bagram air base in eastern Af-

PLEASE SEE BOMB, PAGE 13

Board OKs settlement with casino

Rosemont plans
to fight agreement

By Douglas Holt
Tribune staff reporter

A bitter 18-month battle over efforts to bring casino gambling to Rosemont reached a turning point Monday when the Illinois Gaming Board voted to settle its case against Emerald Casino, setting in motion the task of finding a new operator and perhaps a new location for the lucrative project.

The deal allows the backers of the casino, including Emerald's main investors, Donald Flynn and his son Kevin, to recoup their original investments, though they won't make a profit. The profit issue doomed previous efforts to settle the dispute.

Board members touted the settlement, approved 4-0, as

opening a fair and competitive process for finding a new buyer. They said the deal demonstrates how they have sought to avoid rewarding alleged wrongdoing, because previous plans envisioned a profitable payout for Emerald investors.

Board Chairman Gregory Jones said previous efforts to resolve the battle between Emerald's owners and the board were plagued by a "suspicion of secret deals, of things behind closed doors."

Officials in Rosemont denounced the deal and vowed to take legal action to block it. The mayor, Donald Stephens, was the chief architect of a 1999 law engineered to all but guarantee that the casino would be built in his town, which stands to lose millions in revenue if the casino is built elsewhere.

The agreement also could

PLEASE SEE CASINO, BACK PAGE

WorldCom audit

19413/cg 11/19/99 NC-109

FROM PAGE ONE



Tribune photo by Charles Cherny

Gaming Board Chairman Gregory Jones (left) talks to Emerald Casino minority investors Shaun Gayle (center) and Chaz Ebert after the board's vote.

CASINO: Jim Ryan to review Emerald deal

CONTINUED FROM PAGE 1

run into trouble if Atty. Gen. Jim Ryan, who says he has the power to veto a settlement, attempts to stop the deal.

Ryan, the GOP candidate for governor, vowed to block previous settlement offers that had included a profit for investors. On Monday, his office released a statement saying only that Ryan would analyze the settlement and comment on it publicly within a few days.

"His mission will be to continue to protect the interests of the people of Illinois," spokeswoman Lori Bolas said.

End of 5-year fight

The settlement caps a five-year fight for Emerald's Casino principal owner, Donald Flynn, who has struggled to retain control of the state's 10th and only unused casino license since 1997.

That effort was derailed by the Gaming Board, which accused Flynn and his son of repeatedly lying to the board and selling casino shares to two investors with mob ties.

"They want to get on with their life," Emerald lawyer C. Barry Montgomery said of the Flynnys, who for the first time in years will not be involved in casino gambling in Illinois.

The vote Monday came after public interest, anti-tax and religious groups assailed the plan.

Thomas Kirkpatrick, president of the Chicago Crime Commission, urged the board not to preempt an administrative hearing in which Gaming Board lawyers had sought to introduce evidence behind the allegation that two casino investors and a construction company have mob ties. Among the evidence the Gaming Board were FBI memos alleging that two casino shareholders had ties to organized crime.

"This hearing must be allowed to proceed in order for there to be full disclosure of the facts," Kirkpatrick said in a written statement. "Such a course would allow the culpable Emerald investors to dodge the bright light of public scrutiny."

Cindi Canary, executive director of the Illinois Campaign for Political Reform, said the state was conferring a benefit on casino investors that most investors would not receive.

"Top officials at Emerald who allegedly used lies, misin-



Tribune photo by Chris Walker

Emerald lawyer Michael Ficaro reads a ruling on his way out of the Daley Center Monday.

formation, even ties to organized crime would be protected," she said. "Sorry, but that's not the way the world works. Just ask the shareholders of Enron or WorldCom."

Anti-gambling activist Rev. Thomas Grey said gamblers who lose should be so lucky to get their money back.

Minority investors speak out

Among the critics, too, were several representatives of minority shareholders, who were brought in as owners under terms of the 1999 law specifying that the casino would be 20 percent owned by women and minorities.

Chaz Ebert, a casino shareholder who is married to film critic Roger Ebert, said the settlement treats the Flynnys better than minority shareholders. The deal requires the new casino buyer to pay lawyers fees and transactional fees related to the casino, while also paying off principal and interest from loans by the Flynnys totaling up to \$32 million.

But legal fees for minority shareholders will not be paid, Ebert said. "It puts us in a deficit position," she said.

Several speakers, including Palatine Mayor Rita Mullins and Robbins Mayor Irene Brodie, urged the board to put the casino in Rosemont to preserve a deal with 71 Cook County towns that were to share in revenue from the project.

But a hint of the coming free-for-all came when a lawyer from Calumet City addressed the board to tout the advantages of his town in snaring casino business that would otherwise go to Indiana.

Under terms of the deal, a new buyer will be found in an undetermined process to be run by Emerald with board oversight.

Court rejects suit

Earlier Monday, a Cook



Tribune photo by Chuck Bernier

At the Illinois Gaming Board hearing Monday, Rev. Thomas Grey talks about the evils of casino gambling in front of board members Violet M. Clark and Gregory Jones.

Closing a chapter in a failed casino's history

June 24, 1997: The Illinois Gaming Board votes to deny a failing riverboat casino in East Dubuque a renewal for its gaming license. The casino, owned by HP Inc., closes the following month.

June 25, 1999: Gov. George Ryan signs a law amending the Illinois Riverboat Gambling Act. It appears to give HP Inc.

automatic approval to move its closed casino and says that the Gaming Board "shall grant the application and approval" for its license renewal and relocation.

July 7, 1999: Rosemont village trustees agree to allow HP Inc., now called Emerald Casino Inc., to relocate the casino there.

Jan. 31, 2001: Sixteen months after Emerald Casino applies to renew its license and move to Rosemont, the Gaming Board votes 4-1 to deny the renewal and revoke the license permanently. The board alleges that Emerald Casino lied to the board and that it had ties to organized crime.

March 13, 2001: Emerald Casino requests an appeal of its revoked license before an administrative law judge.

March 26, 2001: Emerald Casino sues the Gaming Board, charging that the 1999 law required the board to approve Emerald's move to Rosemont and its license renewal.

June 13, 2002: Two weeks after an administrative law judge begins Emerald Casino's appeal hearing, the hearing is suspended when Rosemont tries to force Emerald Casino into bankruptcy.

July 1, 2002: Two decisions are made: First, a Cook County judge hearing Emerald's suit rules that the Gaming Board had the power to deny Emerald's license. Later, the board accepts a settlement to revoke the license, sell it in an open, competitive process and pay Emerald Casino shareholders their investment back without a profit.

Chicago Tribune

County Circuit judge rejected Emerald Casino's contention that the Gaming Board had no right to deny the license.

Emerald filed suit last year, claiming that the 1999 law specified the board "shall grant"

the license once their selected town, Rosemont, approved it.

Judge Sophia Hall ruled that the word "shall" is discretionary because the state's Riverboat Gambling Act gives the Gaming Board responsibility

for regulating casinos to maintain public confidence in their integrity.

"To decide otherwise," Hall said in court, "would eviscerate the very purpose of the act."

WORLDCom SEC cite lack of fi cooperat

CONTINUED FROM PAGE 1

onstrates a lack of to full disclosure and less than full with the SEC." He did why he considers it unsatisfactory.

The SEC filing significant new detail increasingly tens among the company audit team, WorldCom and KPMG, the firm hired in March as longtime auditor.

According to the Sullivan—fired as chief financial officer last week—admitted to the internal investigation that his improper accounting cleared up. However, he argued that the company do so by taking a accounting write-down than take the motion of restating the latest five quarters didn't agree.

The internal audit to scrutinize books and are now records as far back company said. "In the company's statement questions have been regarding certain

Get background WorldCom scandal chicagotribune.com

versals of reserve in 2000 and 1999."

WorldCom didn'tional details, and that to date "no one been reached representatives."

Corporations serves by setting a cover costs they future. If they're high-stakes litigation, they may put a lion to fund a settlement pay a penalty in the adverse verdict.

If the money isn't net, net can later "revise aside, which has pumping up profits when the revenue."

The bad news then down on WorldCom of last week's memo used on a number of days.

Nasdaq lifted the on WorldCom since been in place since ny's bombshell to investors reacted WorldCom's shares fell about 9.77 cents—to close Trading volume was enal 1.5 billion shares a record for number of shares hands in one day.

Also, because 11 shares no longer Nasdaq requires change began prior WorldCom shares.

Angry shareholders separate class action against WorldCom that the once highly ny's fiscal misdeeds violated federal securities laws.

And the U.S. General Administration an administration views of government with WorldCom.

Even before its addition was revealed

The suits surrounding Rosemont casino

BY SHAMUS TOOMEY

Daily Herald Staff Writer

Ever since the Illinois Legislature opened up Cook County to legalized casinos in 1999, the battle over bringing one to Rosemont, it seems, has ended up in more courtrooms than Perry Mason did.

Lawsuits have been filed over the constitutionality of the 1999 law, the meaning of one word in that law, the breakdown of who will profit from the law, the cries of those who fear they won't profit from the law and a dispute between the two parties that thought for sure they would both profit from the law, but now that conclusion is in doubt.

The legal bills of the company that wants to build and run the casino, Emerald Casino Inc., alone are estimated to be more than \$3 million—and that specifically excludes any costs or judgments arising from the one lawsuit that got the rest of them rolling, one filed by millionaire Marvin Davis shortly after the 1999 law was passed.

Here's a breakdown of the various litigation:

• *Marvin Davis vs. Emerald Casino* (1999). The California oil tycoon files a suit in federal court claiming Emerald CEO Kevin Flynn promised him

and Arlington Park's Dick Duchossois large stakes in the casino in return for wielding clout to get the 1999 law passed. When it did become law, Davis claims Flynn cut both men out. The suit launches rounds of depositions that the Illinois Gaming Board later uses against the casino when trying to revoke its license. A federal judge dismisses Davis' case, saying it belonged in state court.

• *Lake County Riverboat vs. Illinois Gaming Board* (1999). A group of investors, led by Glenn Seidenfeld, sues the state, claiming the 1999 law was written specifically for Emerald Casino, thereby making it illegal "special legislation." The group, which wants to put a riverboat casino on Fox Lake, loses in January, 2001, when a Cook County judge rules the group could not qualify for a license, and therefore is not eligible to challenge the law. A state appellate court upholds the judge's decision last Friday.

• *Emerald Casino vs. Illinois Gaming Board* (2001). The casino files an appeal necessary to protest the board's January 2001 ruling that Emerald will not be allowed to transfer its defunct license to Rosemont. The board claims Flynn and others misled it and let two people with alleged mob ties buy shares. The

appeal leads to a license revocation hearing before a state-appointed hearing officer. That hearing is now on hold while both sides await the fate of their proposed settlement.

• *Mayor Donald E. Stephens vs. Wayne Johnson* (2001). Rosemont's mayor sues the former chief investigator for the Chicago Crime Commission for defamation. Johnson has warned the Illinois Gaming Board that Stephens had several friends and former business partners with alleged ties to organized crime. The case is still pending in Cook County Circuit Court.

• *Emerald Casino vs. Illinois Gaming Board* (2001). The so-called "shall means shall" suit is filed in Cook County Circuit Court. Emerald argues that because the 1999 law said the state "shall" approve Emerald's license transfer, the board was obligated to do so. The board claims "shall" gave it the option to reject it. A Cook County judge agrees with the state Monday.

• *Village of Rosemont vs. Emerald Casino* (2002). Rosemont sues Emerald in March, claiming casino owners breached their 99-year lease with the village by botching the state approval process, which was seen as a done deal by most. The village fronted the casino more than \$40

million for a parking garage, which now stands next to the unfinished casino skeleton along I-294. Rosemont is represented in this case by former U.S. Attorney Dan Webb, who twice brought fraud cases against Mayor Stephens in the 1980s. The mayor was acquitted both times. The breach of contract case is pending in Cook County Circuit Court.

• *Degen & Rosato/Power Construction vs. Emerald* (2002). Emerald's two contractors sue in April to try to get the casino to pay \$2 million in unpaid construction bills. Still pending in Cook County Circuit Court.

• *Philip N. Crusius vs. Illinois Gaming Board* (2002). The suit, filed by the Better Government Association, makes the same argument as Lake County Riverboat did—that the 1999 law unfairly favors Emerald. It is pending in Cook County Circuit Court.

• *Village of Rosemont et. al vs. Emerald Casino* (2002). Rosemont and five other groups that are owed money by Emerald file an "involuntary bankruptcy" lawsuit last month to try to force the casino into bankruptcy. The theory is, if a federal judge agrees the casino is bankrupt, he could sell off Emerald's gaming license and pay back the casino's creditors. Still pending in federal bankruptcy court.

Where you can see

Wednesday

• 8 p.m. Morton Grove festival stage with Joe Catafio's "Freedom Sing" tour. Festival at Harrier Park, Dempster and Avenue.

Thursday

• 10 a.m. Grand marshal Palatine Fourth of July parade starts at Slade and Wood.
• 10 a.m. Grand marshal Barrington Fourth of July starting at Barrington High.
• Noon. Grand marshal parade, on Oakton Street.

Friday

• 2:30 p.m. Appearances

Firefighters

Continued from Page 1

ation for some of the fire the front lines of the attack can catch me Engine Company 55 in Grove, Barrington, Palatine and the Naperville Ribfest ganza.

The company lost five the World Trade Center collapsed.

1948/04 - 11/2/02
11/2/02
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Rosemont wants casino to be declared bankrupt

BY CHRIS FUSCO
STAFF REPORTER

Rosemont on Thursday asked a federal judge to step into the casino fray, hoping she will declare Emerald Casino Inc. bankrupt and set in motion a bidding process for its disputed casino license.

The winning bidder, lawyers for Rosemont hope, would be allowed to run a casino in the village subject to Illinois Gaming Board approval, with proceeds from the sale going first to Rosemont—which built a parking garage for the casino—and four other creditors to which Emerald owes \$46.7 million.

The money then could cover other Emerald liabilities before being turned over to the state for the Gaming Board to control. The board, in turn, could decide if Emerald stockholders are entitled to any of the money, or if it all should go to the state.

Rosemont, which contends Emerald owes about \$15 million more to other creditors, hopes to know within four to six weeks if the action, called an "involuntary bankruptcy petition," can go to trial.

The 10 a.m. filing with federal Judge Susan Pierson Sonderby stopped an administrative hearing

called to decide if the Gaming Board was wrong to refuse to renew Emerald's casino license in January 2001.

A board spokesman was not sure if that proceeding—one of several legal actions snarling development of the state's 10th casino—would continue Monday, as scheduled.

However, "the bankruptcy filing should not interfere with the progress of the disciplinary hearing to revoke the license and will not deflect the Illinois Gaming Board from the exercise of its lawful regulatory authority with respect to Emerald Casino Inc.," Gaming Board Administrator Philip Parenti said in a statement. He declined to comment further.

C. Barry Montgomery, an attorney representing Emerald, also declined to comment.

Rosemont and its creditors envision something similar to an offer Emerald made last month to settle its dispute with the Gaming Board. That offer, however, could have moved the casino out of Rosemont, where Parenti has said there are factors that might affect

the integrity of gaming.

"I wish someone would show me the problems with Rosemont," Donald Stephens, the village's mayor, said at an afternoon press conference. "Either show me the mob or shut up. . . . I'd like to see the proof."

Stephens said he thinks the casino saga could go on several more years without Judge Sonderby appointing a third-party trustee—usually a lawyer or an accountant—to oversee Emerald's sale.

"What we have to demonstrate is that the interests of creditors are not being protected in any forum, and the utilization of the bankruptcy forum is the best means of [finding] a

comprehensive resolution to the problems," said Salvatore Barbatano, one of Rosemont's lawyers.

Chicago lawyer Robert Fishman, former president of the American Bankruptcy Institute, said he thinks the central issue will be "the very delicate balance between the jurisdiction of the bankruptcy court and the regulatory authority" of the Gaming Board.

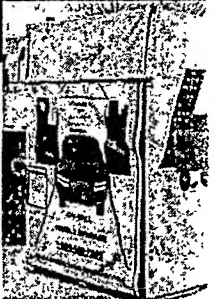


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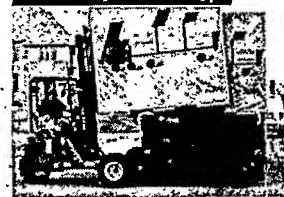
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State claims Emerald Casino is stalling

BY SHAMUS TOOMEY

Daily Herald Staff Writer

Emerald Casino is using a new lawsuit filed against it to stall hearings aimed at stripping the company of its gaming license, Illinois Gaming Board attorneys charged Monday.

Emerald, which is trying to open a casino in Rosemont, has unsuccessfully tried many ways to prevent or stall the ongoing license revocation hearing. Emerald attorneys believe the trial-like administrative hearing is unfairly dragging the company and its owners through the mud with

hearsay and uncorroborated evidence that would not be allowed in regular county or federal courts.

And now that the village of Rosemont and five of Emerald's creditors sued last week to try to force the embattled casino into bankruptcy, the gaming board believes Emerald is seizing upon that action to get its long-sought after delay.

Gaming board attorney Robert Shapiro told the judge presiding over the revocation that federal bankruptcy laws allow administrative hearings to move forward while the bankruptcy case is heard across

town. But Emerald attorney Ross Kimbarovsky said the casino needs more time to review the law before it can agree or disagree.

"They're just playing for time," Shapiro argued to the judge. "They're taking no position and sitting on their hands. That's an attempt to delay these proceedings. It couldn't be clearer."

Administrative Law Judge Herbert L. Holzman said he, too, had hoped to hear Emerald's response to the latest suit on Monday, but he decided to put off a decision on when to restart the hearing until later this week.

(X)

194B/cg 114999-NC-112

Illinois Governor's Intervention Reignites Casino Controversy

Investors' Alleged Links to Mob Worry Some Gaming Commissioners


By William Claiborne
Washington Post Staff Writer
Saturday, July 7, 2001; Page A04

CHICAGO -- In a surprise announcement four months ago, the Illinois Gaming Board said that it was revoking a gambling license held by a consortium of politically connected investors who had already started constructing a Las Vegas-style casino in suburban Rosemont, near O'Hare International Airport.

The builder of the project, Emerald Casino Inc., had already spent \$25 million laying a foundation and erecting steel girders before the five-member Gaming Board acted, citing "the insidious presence of organized crime elements associated with this proposed project that cannot be ignored."

Ever since, state regulators and gambling opponents wondered how the investment group, with powerful friends in high places in the time-honored Chicago tradition, would try to keep the \$400 million-a-year riverboat casino proposal alive.

Then, late last month, Illinois Gov. George H. Ryan (R) moved to replace two of the four board members who had voted against the project, potentially giving casino proponents another shot at winning approval.

Casino opponents, including the legendary Chicago Crime Commission, a citizens watchdog group that has battled organized crime here since the days of gangster Al Capone, are accusing the governor of using the appointments to stack the deck in favor of bringing lucrative riverboat gambling to Rosemont. 

The commission's chief investigator, Wayne A. Johnson, said "a worst case scenario would be that organized crime interests could circumvent the legitimate regulatory process and overturn the Gaming Board's thoughtful and courageous actions" when it voted to yank a long-dormant gambling license held by a consortium of investors that includes shareholders with alleged mob links.

Tom Grey, the Rockford-based executive director of the National Coalition Against Legalized Gambling, said "the fix is in" for the reshuffled Gaming Board to allow another consortium or large, publicly held company without the taint of organized crime to take over the license and build the casino. Politically connected investors would still be involved in the financing and criminal elements would still be able to influence the Rosemont operation, Grey said.

He said that by dismissing Gaming Board members Sterling "Mac" Ryder and Stacie Yandle, both of whom sought to stay on the board, Ryan was sending a clear message that "anyone who doesn't go along with what he wants for Rosemont will be replaced."

Ryan's spokesman, Dennis Culloton, said the board reshuffle had nothing to do with the vote against the casino, but was intended to bring "fresh perspectives" to the regulatory body. He said the governor had not talked to board members about their votes, nor had he tried to influence them.

"It's unfair to prejudge what two highly regarded business leaders appointed to the board might do or what decisions they might make in the future," Culloton said.

Pointing to a potential \$100 million annual benefit to the state from a casino, Culloton said, "The Gaming Board has done a good job with some very difficult issues, and now it is time to move on to business-type decisions on where the board might want to reactivate that license."

Grey said that once the board revoked Emerald Inc.'s license in March, it could be bought at bid and used anywhere in the state. He said that Ryan, who signed a 1999 amendment to the Riverboat Gambling Act that allowed Emerald to move its license from a failed East Dubuque site to Rosemont, wants to keep it there for the benefit of friends with a stake in the riverboat plan.

"He wants the deal done now. That's why he appointed these two guys," Grey said, referring to Gaming Board appointees Elzie L. Higginbottom, a Chicago real estate developer, and Robert A. Mariano, who runs a food service consulting firm in Lake Forest.

Higginbottom, a close friend of Chicago Mayor Richard M. Daley (D) and one of the mayor's important allies in Chicago's black community, also serves as co-chairman of Ryan's Workforce Investment Board. Mariano has long had personal ties to some of the casino investors, according to sources involved in the license dispute.

The Crime Commission has refrained from saying anything specific about how the two new board members might vote, but Commission President Thomas B. Kirkpatrick said the timing of the appointments raises questions about Ryan's motives.

"Why now?" Kirkpatrick asked. He said the decision against the Rosemont casino was "a remarkable showing of independence and integrity, and has obviously displeased many powerful political and financial interests." He said if the new board reverses the decision, "the conclusion would be inescapable that [the new members'] appointments were simply a cover to expedite a Rosemont casino."

In testimony to the Gaming Board in January, Johnson, the commission's chief investigator, said casino gambling should not be allowed anywhere in the Chicago area because the city and Cook County have always been prone to corruption and organized crime influence.

Johnson said what he found most troubling was a "litany of associations" that longtime Rosemont Mayor Donald Stephens, the biggest booster of a riverboat casino in his town, has had with organized crime figures for years, including the late Chicago mob boss Sam Giancana. Stephens, a powerful Republican leader in suburban Chicago, helped push through the 1999 amendment allowing the transfer of casino licenses. The two had business dealings until Giancana was assassinated in 1975, Johnson said.

He said that one of the original Emerald Casino shareholders was a former business partner of Stephens, alleged union racketeer Nick Boscarino, whose father was the victim of a mob killing. Johnson testified to the Gaming Board that another of the Rosemont mayor's business partners was William Daddano Jr., who was listed on at least three organizational charts of the "Outfit," as Chicago's mob is called. Daddano is the son of the late North Side mob boss, Willie "Potatoes" Daddano.

In its decision not to renew Emerald Casino's license, the Gaming Board said that beside shareholders having close ties with organized crime, known mob members control at least one firm that has done construction work at the Rosemont site.

The board said that mob-connected shareholders wound up in the consortium because Emerald officials, led by former Waste Management executive Donald F. Flynn, and his son, Kevin, failed to investigate the backgrounds of investors. The board also said the principal owners of the company repeatedly made false statements to board investigators about ownership deals.

In a written response, Emerald Casino Inc. said the Gaming Board was "deeply biased" against the consortium and had no reason to deny permission for a riverboat.

The board's denial was "unsupported by even a scintilla of credible evidence" and was intended to "sully the reputation of Emerald and of the key persons associated with Emerald," the firm's lawyers wrote. The firm said the board had relied on hearsay in accusing the Flynns of lying. It said it was the Gaming Board's responsibility, not the firm's, to determine whether potential shareholders had tied to organized crime.

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(Mount Clipping in Space Below)

Casino license must be resolved

If officials of the proposed Emerald Casino didn't have a bit of history when it comes to jumping the gun, the Illinois Gaming Board might not have been so quick to step in this week when it got wind of Emerald's efforts to sell.

But the track record is there.

Emerald began construction on a casino in Rosemont before it had been given the green light to do so and halted work only when faced with the prospect of a direct cease-and-desist order. Investors complain that they sank \$70 million into work that remains stalled, but that is hardly the fault of the gaming board.

Granted, Emerald investors — and most observers — thought at that time that approval from the gaming board was in the bag.

But it wasn't — the gaming panel shocked everyone in January by voting to deny Emerald permission to operate in Rosemont. The board, acting on a staff recommendation, cited concerns about some investors' alleged connections with organized crime and a lack of truthfulness on the part of some Emerald officials.

Our View

Any immediate sale does seem premature with the license question still up in the air.

On Thursday, the gaming board again stepped in, this time to tell Emerald to hold its horses in its negotiations to sell its interest in a Rosemont casino to MGM Mirage, out of Las Vegas.

The gaming board was brief and vague in its official statement, stating only that "the current process involving Emerald's negotiations with MGM is not acceptable to the board."

We hope — and trust — that the gaming board will provide additional details soon.

But for the moment, it is not unreasonable to speculate that the gaming board may not think that Emerald has anything to sell. The gaming board and Emerald have been tussling over pos-

session of the actual gaming license. Emerald contends that legislation granted it the right to move a casino license from Galena, where the Silver Eagle riverboat failed, to Rosemont. But the gaming board has taken steps to revoke the Emerald's claim to the license. The next hearing in the matter is scheduled for Aug. 27, and the question may not be resolved for months.

Any immediate sale does seem premature with the license question still up in the air. Published reports state that another prospective buyer backed out precisely because Emerald had not included the gaming board in the process of auctioning rights to the license.

Emerald eventually may win this fight, and MGM Mirage may be just the organization to operate a casino in Cook County.

Rosemont may end up with a casino, just as everyone expected when the General Assembly wrote legislation permitting the license to be moved out of Jo Daviess County.

None of that is likely to happen, however, until the license question is fully resolved.

(Indicate page, name of newspaper, city and state.)

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Casino owners parlay trouble into dollars

Associated Press

Illinois gambling regulators found Horseshoe Gaming mogul Jack Binion unfit to run a riverboat casino in their state, so he left — after selling his suburban Chicago casino for \$465 million.

Players International Inc., tainted in a scandal involving ex-Gov. Edwin Edwards in Louisiana, got out of its jam with a \$425 million sale to Harrah's Entertainment.

And Station Casinos, in hot water with Missouri regulators over allegations against a former company lawyer, left the state after selling to Ameristar Casinos for \$488 million.

Across the country, riverboat casino owners in trouble with state regulators have found profit in their problems.

Faced with heavy fines or the loss of

their licenses, they've sold their operations to less-troubled companies — a practice gambling critics blast as license laundering.

"It's a pattern that is disturbing," said the Rev. Tom Grey, executive director of the National Coalition Against Legalized Gambling. "Now we've got regulatory bodies that are acting as laundromats."

Grey has been fighting Emerald Casino Inc.'s attempt to build a riverboat casino in Rosemont. Illinois regulators refused to OK Emerald's casino plans in part because they said top executives Donald and Kevin Flynn had lied to investigators.

Now the Flynnns are negotiating with Las Vegas casino giant MGM Mirage to sell their shares in the state's only idle casino license.

(Mount Clipping in Space Below)

CASH GIFTS TO POLS DRAW FIRE

**RYAN, OTHERS SAY
DONATIONS FROM
CASINO INVESTORS
WERE ABOVEBOARD**

By TIM NOVAK AND CHRIS FUSCO
STAFF REPORTERS

Gov. Ryan and other elected officials have accepted nearly \$150,000 in campaign cash from people involved with the Rosemont casino identified by the state's own regulators as having ties to organized crime.

"What does that mean, 'mob associated?' In the year 2001, is there really a mob in Chicago?" said state Sen. James DeLeo (D-Chicago) when questioned about the donations.

DeLeo, Ryan and others say they are comfortable taking the cash because the Illinois Gaming Board hasn't offered any proof that those people committed any crimes.

The questions over campaign donations come as the majority owners of Emerald Casino Inc. are fighting the gaming board's rejection of their Rosemont project while shopping their stake in the company to MGM Mirage Inc. of Las Vegas.

(Indicate page, name of
Newspaper, city and state)
Pg.1
Sun-Times
Chicago, IL

Date: 07/30/2001
Edition: Late Sports Final

Title: Cash gifts to Pols
draw fire

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194B/cg 114999 NC -116

FBI/DOJ

(Mount Clipping in Space Below)

Pols defend questionable gifts

Ryan, Stephens, others got cash from players tagged by gaming board as having crime links

BY TIM NOVAK AND CHRIS FUSCO
STAFF REPORTERS

The alleged mob-connected players cited by the Illinois Gaming Board when it scuttled a Rosemont casino have given nearly \$150,000 to Gov. Ryan, House Speaker Michael J. Madigan, Rosemont Mayor Donald E. Stephens and other elected officials.

But many of those politicians, including Ryan, who appoints the gaming board, say there is no reason to return the money because there is no evidence the people mentioned by the gaming board have committed crimes.

"The governor fully supports what the gaming board is doing. They're a regulatory board. The [governor's] campaign committee is not," Ryan spokesman Dennis Culloton said, explaining why the governor will keep the money he got from people his gaming board says are linked to organized crime.

(Indicate page, name of Newspaper, city and state)
Pg. 7

Sun-Times
Chicago, IL

Date: 07/30/2001
Edition: Late Sports Final

Title: Pols defend questionable gifts

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FBI/DOJ

2

Nick Boscarino, whose wife, Sherri, is an investor in the stalled Rosemont casino, and his companies have donated \$31,900 to the governor. And Ryan also has received \$1,200 from casino investor Joseph Salamone and his brother Vito.

Sherri Boscarino and Joseph Salamone are associated with persons who have been identified as members and associates of organized crime," the gaming board said, while Vito Salamone has "been identified as having connections with known members and associates of organized crime." Nick Boscarino, it added, "maintains personal relationships and business associations with certain individuals who have been identified as known associates of organized crime."

While Ryan is keeping the money from these people with re-

puted mob links, in April he told the Chicago Sun-Times he would give to charity the \$40,000 he got from Thomas Matassa, identified as a mob associate by the Chicago Crime Commission. Culloton noted that the Boscarinos and Salamones are not on the commission's chart.

For Ryan to keep the money from the Boscarinos and Salamones "sort of goes beyond hypocrisy," said the Rev. Tom Grey, head of the National Coalition Against Legalized Gambling.

Nick Boscarino and Joseph Salamone both refused to comment, but in the past they have denied any links to the mob.

Besides the Boscarinos and the Salamones, state casino regulators also singled out D&P Construction of Chicago, which hauled trash from the Rosemont casino site. D&P is owned by Josephine DiFronzo, a sister-in-law of Chicago's reputed mob boss John "No Nose" DiFronzo, state casino regulators said.

D&P has given no money to Ryan's campaign fund, but the company has donated to several other politicians, including \$1,875 to state Sen. James DeLeo (D-Chicago).

"What does that mean, 'mob associated?' In the year 2001, is there really a mob in Chicago?" DeLeo

said.

"Besides some hearsay, what has the gaming board said about these people? There's been nothing to substantiate. They haven't said anything bad about this company or this woman. I don't think I should hold sins of the family against an individual."

Josephine DiFronzo also owns JKS Ventures Inc. Her two companies have donated \$44,805 since 1994 to various officials, including \$13,000 to Stephens. The Rosemont mayor says he has donated to charity the \$8,000 he got from D&P.

"My ma's known Josephine for so many years. She's a wonderful lady," said state Rep. Angelo "Skip" Saviano (R-Elmwood Park), who has gotten \$8,750 from DiFronzo's companies.

State casino regulators "are making these people out like they're John Dillinger. That's just not the case," Saviano said. "Whatever their past is, it's the past. If they want to donate to myself and the Northwest Side mayors, we're confident they're a reputable company."

"The Italian Mafia is gone," Saviano said. "I don't see it happening around here."

Josephine DiFronzo could not be reached for comment.

The Rosemont casino has been on hold since January, when the gaming board rejected Emerald Casino's plan to move from East Dubuque to the northwest suburb. Besides the alleged mob links, casino regulators said they had been given false and misleading statements by Emerald officials.

Emerald is appealing that decision, but the company's top shareholders also are negotiating to sell their 52.7 percent stake to MGM Mirage Inc. of Las Vegas.

Stephens long has sought a casino for Rosemont, but he has been under fire from the crime commission. The mayor has pointed out that D&P was only paid \$13,000 to haul some waste from the casino site, where construction stopped last year. And he pointed out that D&P has done work for the City of Chicago.

D&P also works for the Village of Franklin Park. The village president, Daniel Pritchett, has collected \$1,100 from the two companies owned by DiFronzo.

"They've been dealing with the village for 25 years, and they continue to do business with the village," Pritchett said.

Pritchett is among officials from the west and northwest suburbs and nearby Chicago neighborhoods who have received campaign donations from DiFronzo, Boscarino and the Salamones. Money also has been donated to some of the state's biggest power-brokers, Madigan and the House Republican campaign fund controlled by House Minority Leader Lee Daniels (R-Elmhurst).

"If someone believes a legislator like Mike Madigan can be bought for an amount that doesn't even equal one-tenth of 1 percent of funds raised, then they are terribly naive," Madigan spokesman Steve Brown said.

Madigan has gotten \$19,500 from Boscarino and \$200 from D&P.

"If these people were truly guilty of crimes and offenses, the full force of the law would come into play," Brown said.

"If the gaming board has information about crimes that still fall within the statute of limitations, then they should turn that over to the appropriate federal prosecutor."

Under state law, the casino regulators can deny a license to anyone they believe "would discredit or tend to discredit the Illinois gaming industry." The casino regulators do not have to prove the people are guilty of any crime.

CASINO CASH

The Illinois Gaming Board rejected Emerald Casino's plans to open in Rosemont in part because of alleged mob ties to Nick Boscarino, John "No Nose" DiFronzo, and Vito Salamone, all of whom the board said are "members and associates of organized crime." Boscarino's wife and Salamone's brother are investors in the casino, while DiFronzo's sister-in-law owns a construction company that has worked on the project. Boscarino, DiFronzo's sister-in-law Josephine, and Salamone and his brother Joseph, or companies that any of them own, have made these campaign contributions since 1994.



Rosemont Mayor Donald E. Stephens



Gov. George Ryan



House Speaker Michael J. Madigan (D-Chicago)



State Rep. Angelo "Skip" Saviano (R-Elmwood Park)

Official	Boscarino	DiFronzo	Salamone
Rosemont Mayor Donald E. Stephens	\$31,500	\$13,000	
Gov. George Ryan	\$1,900		\$1,200
House Speaker Michael J. Madigan (D-Chicago)	19,500	200	
State Rep. Angelo "Skip" Saviano (R-Elmwood Park)		8,750	
State Rep. Ralph Capparelli (D-Chicago)	5,000		1,750
Illinois House Republican Campaign Committee	5,000	200	
Rosemont Voters League	2,700	2,450	
State Rep. Michael McAuliffe (R-Chicago)	3,100		500
Peter Silvestri, a Cook County commissioner and Elmwood Park mayor		2,450	
Leyden Township Regular Republican Voters League		2,280	
Chicago Ald. William Banks (36th)		2,000	
State Sen. James DeLeo (D-Chicago)		1,875	
State Sen. Dan Cronin (R-Elmhurst)		1,850	
Melrose Park Mayor Ronald Serpico		1,650	
Cook County Commissioner Joseph Mario Moreno	1,500		
River Grove Mayor Thomas Tarpey		1,500	
36th Ward Democratic Organization		1,400	
Franklin Park Mayor Daniel Pritchett		1,100	
Al Salvi, former Republican candidate for secretary of state		1,000	
Statesman of the Year		1,000	
United Township Party of Proviso Township	1,000		
Melrose Victory/Vision parties		950	
Schiller Park Mayor Anna Montana		500	
United Party of Stone Park		450	
Friends of Proviso		200	

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(Indicate page, name of newspaper, city and state.)

DAILY HERALD
ARLINGTON HEIGHTS, IL.Date: Thurs 5/23/02
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Attorney general says he will block any Emerald deal

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Associated Press

Attorney General Jim Ryan dealt a serious blow Wednesday to supporters of a proposed riverboat casino in Rosemont, saying he is prepared to block any deal that would let Emerald Casino Inc. sell its gambling license.

"I can't conceive of any deal or arrangement, frankly, that the attorney general's office could approve," Ryan said.

The attorney general's announcement came after the Illinois Gaming Board met in closed session to consider a new settlement offer from Emerald. The board postponed a hearing on Emerald's license until Wednesday and said officials would

continue to meet with the casino company.

C. Barry Montgomery, an attorney for Emerald, would not give details of the new proposal. Ryan said it involved some profit for shareholders as well as the possibility that the casino would be located somewhere other than Rosemont.

The prospect of moving the planned casino out of Rosemont drew immediate threats of more litigation to an already lawsuit-plagued project.

Rosemont Mayor Donald E. Stephens on Wednesday said his village would be forced to sue both Emerald and the Illinois Gaming Board if there is an attempt to move the planned casino.

Emerald and Rosemont have an exclusive contract, and any attempt by Emerald to try to sign that away to the state in a settlement would be met with a lawsuit, Stephens said.

"No matter what they do, it will bring some more litigation unless they bring about the conclusion that screams to be done," said Stephens, referring to previous deals that would let Emerald sell to Las Vegas casino giant MGM-Mirage, which would then open in Rosemont.

But the board previously has rejected a number of such offers, the latest of which would have given \$330 million to the state from the \$615 million buyout deal MGM has already agreed to.

Emerald's casino license has been in limbo since January 2001, when the board rejected the company's request to build a casino in Rosemont, moving its license from a shuttered boat in East Dubuque. The board alleged company executives Kevin and Donald Flynn had lied to investigators and that some shareholders had ties to the mob.

Ryan said he was concerned about Rosemont as a casino site because of a pending federal investigation involving the village and the casino.

Rosemont officials have expressed worries that the gaming board also has concerns about Rosemont and even Stephens, who was once a business partner of one of the Emerald

investors accused by the gaming board of having mob ties.

That investor, Nick Boscarino of Barrington, has denied any such ties.

"Granted, Nick Boscarino is under indictment for defrauding an insurance company, but how does that make him a hood?" Stephens said.

"How does that make him a mobster? They call him an associate of organized crime. What am I, an associate of an associate? If I go to lunch with you, does that make you an associate of an associate of an associate? It's getting to the point that's ludicrous."

• Daily Herald staff writer Shamus Toomey contributed to this report.

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Emerald Casino hearing is essential

Small wonder that Emerald Casino investors hoped to sell their shares and get out of the spotlight before the opening of a hearing on the casino's license.

Actually, the hearing was initiated long ago by Emerald officials, in hopes of overturning the Illinois Gaming Board's denial of a license to operate in Rosemont. But if Emerald had received the permission it recently has sought to sell its operation to MGM-Mirage, then there would have been no point in the hearing. And without the hearing, the public would not be listening to lawyers for the gaming board laying out a list of serious allegations against Emerald's top investors.

Gaming board attorneys say Emerald's officials created a "virtual corporate culture of dishonesty," that they "never found a regulation they felt they had to comply with" and that they sealed the original investment deal by bringing into the fold two people with connections to organized crime.

None of this has been proved, and Emerald's attorneys have allegations of their own: That gaming board Chairman Gregory C. Jones is out to

Our View

It took only one day of the hearing to show the serious nature of the issues.

get Emerald because he is holding a grudge against Rosemont Mayor Donald Stephens for a long-ago unsuccessful prosecution Jones conducted against the mayor on mail-fraud charges.

The presiding administrative law judge will sort out these charges and countercharges as the hearing unfolds. But on at least two of its claims, Emerald wins little sympathy. Emerald attorney Michael Ficaro complained about lead investors Kevin and Donald Flynn being penalized for the alleged presence of organized crime figures among investors.

"Do we have to check out the guy who delivers pizza to the construction site?" Ficaro asked on the hearing's opening day. "After all, he might be

associated with someone who is associated with someone who ate spaghetti with a member of organized crime."

Ficaro's sarcasm does not obscure the fact that the state, in sanctioning gambling, would be remiss indeed if it did not insist on prospective casino owners weeding out any and all elements of organized crime.

Nor is Emerald compelling when it rebuts the gaming board's assertion that Emerald officials were lining up construction contracts at the same time they were denying to the board that any such activity was occurring. Emerald's case would be stronger if it weren't public knowledge that the Emerald jumped the gun on actual construction, began to build without the gaming board's OK and stopped only when it appeared to be on the brink of receiving a cease-and-desist order.

Emerald eventually may prevail on some of these matters, but it took only one day of the hearing to show the serious nature of the issues and to realize that many questions must be answered before Emerald is permitted to sell.

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(Mount Clipping in Space Below)

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Rosemont tries to cash out

Town asks court to seize Emerald, sell its assets

By Michael Higgins
and Douglas Holt
Tribune staff reporters

In a hardball maneuver designed to force action on a Rosemont casino, village officials asked a federal judge Thursday to declare belea-

guered Emerald Casino Inc. bankrupt and sell its assets—including its disputed gambling license—to the highest bidder.

Rosemont officials hope bankruptcy will take the sale of Emerald's license out of the hands of the state Gaming Board, which has blocked agreements in the past, and give control to a federal judge. The judge, in turn, could put the state's final remaining license in the hands of a court-appointed trustee, who might

'Jim Ryan is not going to thumb his nose at the federal court system.'

—Robert Stephenson, Rosemont attorney

be able to sell it and pave the way for a casino in Rosemont. That scenario is riddled with questions, from the likelihood of forcing bankruptcy in the first place to whether

bankruptcy would threaten Emerald's claim to the license. But even Thursday's first step was enough to cause turmoil, forcing a halt to a separate administrative battle between Emerald and the Gaming Board.

If a bankruptcy claim were to progress as Rosemont lawyers hope, the proceeds from the sale of Emerald's license would go first to pay off the village and four other creditors who claim they are owed \$46.7 million for construction work

at the casino site.

Additional proceeds would go to dispose of ongoing lawsuits. And Rosemont lawyers believe the remainder would go to the Gaming Board, allowing the board to decide how to reimburse Emerald shareholders and what should go to state coffers.

Emerald has 20 days to respond to the petition. U.S. Bankruptcy Judge Susan Pierson Sonderby could hold

PLEASE SEE CASINO, PAGE 7

194B-CG-114999-NC-119

CASINO: Rosemont calls inquiry separate deal

CONTINUED FROM PAGE 1

hearing and rule on the petition in the next four to six weeks, Rosemont attorneys said.

Illinois Atty. Gen. Jim Ryan's office, which represents the Gaming Board, could present the board's views in Bankruptcy Court, but Sonderby would make the final call on any sale, said Rosemont attorney Robert Stephenson of Chicago.

"Jim Ryan is not going to thumb his nose at the federal court system," Stephenson said. "He cannot stop a federal Bankruptcy Court from exercising its jurisdictional powers."

Stephenson said the board would retain the power to decide if the new owners of the license are suitable, and to fine or discipline any Emerald shareholders who violated state law.

Rosemont attorney Sal Barbatano said Thursday the village was not asking the Bankruptcy Court to stop the inquiry to determine whether Emerald's license should be revoked. But at the hearing Thursday, the bankruptcy petition prompted Emerald to ask for a delay.

Administrative Law Judge Herbert Holzman sent home the day's witness, former Gaming Board Administrator Michael Belletire, to seek clarification on what to do. The hearing is set to resume Monday.

In a written statement later, Gaming Board Administrator Philip C. Parenti said the bankruptcy filing "should not interfere with the progress of the disciplinary hearing to revoke the license."

Ryan spokeswoman Lori Bolas said the move was under review, but signaled no change in Ryan's insistence that an open hearing be conducted to get to the bottom of allegations that Emerald officials lied to the board and sold shares to investors with mob ties.

The casino group's lawyers had little comment Thursday.

"We're consulting with bankruptcy lawyers," Emerald lawyer C. Barry Montgomery said.

To push Emerald into involuntary bankruptcy, the creditors must show it is not paying

most of its undisputed debts as they come due, said H. Bruce Bernstein, a bankruptcy attorney in Chicago.

If the judge declares Emerald bankrupt, the proceeding will bring together all of the company's creditors and other people with claims on its assets, such as California billionaire Marvin Davis, who has filed suit claiming he had an agreement to buy part of the company. That could give additional leverage to Rosemont, which has filed its own lawsuit against Emerald, alleging that it broke a lease with the village.

It will then be up to the court to sort out the competing claims on assets.

Board officials voted last year to revoke Emerald's license after concluding that top Emerald officials had lied to state investi-

*A bankruptcy filing
'should not interfere with
the progress of the
disciplinary hearing to
revoke the license.'*

—Illinois Gaming Board Administrator
Philip C. Parenti

gators and sold casino shares to two investors with mob ties. Emerald appealed that decision to Holzman.

Gaming Board sources Thursday questioned whether a Bankruptcy Court could order the sale of a license that, according to the Gaming Board, should not belong to Emerald.

Rosemont's view is that Emerald retains its license until its appeals are exhausted.

"As we speak, Emerald Inc. has a gaming license," Stephenson said. "Not active—but they have a gaming license."

If Emerald is declared bankrupt, that could provide the Gaming Board with one more reason to revoke the license.

Gaming Board rules state that "any bankruptcy, liquidation [or] reorganization" of a casino company may cause the board to take disciplinary action, including license revocation.

(Mount Clipping in Space Below)

Emerald back to gaming board with offer

C2467.

BY SHAMUS TOOMEY

Daily Herald Staff Writer

Despite repeated rejections of previous offers, Emerald Casino on Friday pitched a new settlement plan in hopes of bailing itself out of a license revocation hearing that already has dredged up allegations of mob influence, cronyism, secret deals and lies told under oath.

The latest deal would strip away any profits for Emerald investors, according to a source close to the negotiations.

The previous deal rejected by the Illinois Gaming Board would have

allowed for an 8-percent-a-year return for any investor not accused of wrongdoing.

The rest of the new plan was not disclosed.

In its last deal, Emerald offered the state \$530 million to let it sell its license and climb out from a pit of disciplinary actions and lawsuits. Emerald also agreed to let the state choose which company and town would get the license.

Emerald already had begun building in Rosemont before a probe

uncovered alleged wrongdoing that led to the revocation hearing.

Gaming board officials wouldn't comment on the new offer, but have scheduled three special meetings, the first on Wednesday, to consider it.

The board is expected vote on the plan at the last of the public meetings, a move that was not taken regarding the previous settlement offers. With those, the gaming board rejected the proposals in closed-door, executive sessions. The date for that final meeting has

(Indicate page, name of newspaper, city and state.)

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*Company asks officials to let its investors sell
Rosemont casino license and get their money back*

not been set.

A key player in any decision will be Attorney General Jim Ryan, the GOP gubernatorial candidate who has said he "can't conceive of any deal" that his office could approve.

Ryan spokesman Lori Bolas on Friday said the attorney general is reviewing the latest offer, but gave no indication he had changed his mind. "The attorney general still thinks the revocation hearing should go forward," Bolas said:

The new offer will be pitched to

the board Wednesday, in part, by Special Assistant Attorney General Robert E. Shapiro, who has led the revocation case against Emerald.

Emerald attorney C. Barry Montgomery was optimistic, but acknowledged he didn't know whether Ryan would block a deal.

"I have not discussed it with the attorney general, only with his authorized representative, Mr. Shapiro," Montgomery said.

"I believe this proposal addresses the concerns that have been

expressed to us. Do I have an affirmation from the attorney general that he's going to approve this? No."

Rosemont Mayor Donald E. Stephens learned of the latest offer from a reporter. Rosemont is owed \$45 million by Emerald for a parking garage it built for the casino, and the village last week sued to try and force Emerald into bankruptcy.

"Frankly I'm surprised they're having this meeting and nobody bothered to talk to us," Stephens said. "Goodness gracious. I don't know how to take it. It makes a great B movie."

(Mount Clipping in Space Below)

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Chicago Tribune

Chicago, IL

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No court luck for Rosemont

Judge refuses to block talks on casino deal

By Douglas Holt

Tribune staff Reporter

Rosemont was dealt a blow Tuesday when a federal judge allowed casino settlement

talks to continue, which could allow the long-stalled project to land in another community.

"I am convinced this is premature," U.S. Bankruptcy Court Judge Eugene Wedoff said. "It's not a very good idea for me to be issuing rulings on matters that are hypothetical at this point."

Wedoff declined to issue an order blocking the talks.

Rosemont lawyers sought

the order a day before the Illinois Gaming Board is to be briefed Wednesday on the settlement proposal. A public commentary session on the proposal may be scheduled next week, Gaming Board Administrator Philip Parenti said.

Last year, the Gaming Board denied Emerald Casino Inc. permission to relocate its operation from near Galena to

Rosemont, concluding that top casino officers lied to the board and sold shares to two investors with alleged ties to the mob.

Emerald, a casino company in name only, retains control over its disputed license as it fights the allegations in an appeal hearing before an administrative law judge.

The hearing was suspended this month after Rosemont

filed a petition to force Emerald into involuntary bankruptcy. The bankruptcy petition halted efforts by Gaming Board lawyers to introduce what they say is evidence, including FBI documents, alleging mob ties to the casino.

Village officials hope their effort will lead to the appointment of a bankruptcy trustee

PLEASE SEE CASINO, PAGE 6

194B-CG-114999-NC-121

CASINO: Rosemont tries to force bankruptcy

CONTINUED FROM PAGE 1.

to seize control of the license and sell it to an operator who could open a casino in Rosemont.

If not, Rosemont says it should be paid more than \$100 million from the sale of the license through Bankruptcy Court.

Rosemont says it has the right to force bankruptcy because

Emerald owes the village more than \$40 million for a parking garage. Emerald also signed a lease, subject to Gaming Board approval, that promised at least \$5.5 million a year to the village.

But the judge said it is "entirely possible" that Rosemont won't succeed in its effort to have Emerald declared bankrupt against its will.

Emerald lawyers have until July 3 to file papers responding to Rosemont's bankruptcy petition.

The board has repeatedly rejected previous settlement offers, including one made in May in which Emerald investors accused of wrongdoing would receive no profit from a sale. Under that deal, the state would have reaped \$500 million.

(Mount Clipping in Space Below)

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Judge lets Emerald talks go on

BY SHAMUS TOOMEY

Daily Herald Staff Writer

Emerald Casino and the Illinois Gaming Board will go public today with a proposed settlement to end the bitter dispute between the two adversaries, and a federal bankruptcy judge will not flex his legal muscle to stop it—at least for now.

U.S. Judge Eugene R. Wedoff on Tuesday refused the village of Rosemont's request for a restraining order blocking any settlement. Rosemont fears a deal will steer the proposed casino to another town, costing the suburb tens of millions of dollars in future taxes and economic development.

Wedoff ruled it would be premature to consider blocking a settlement because Emerald's plan is currently just a proposal. But the judge made clear the auction sale of Emerald's gaming license—as is proposed in the settlement—would need his approval if he rules Emerald

is bankrupt as Rosemont has alleged. "It may very well be that a sale of this sort will not pass muster," Wedoff warned.

Emerald owes Rosemont some \$45 million for the massive parking garage the village built along I-294 for the project. The garage was built early because both Rosemont and Emerald thought state approval of the casino was a lock. But the gaming board voted down the deal last year and moved to strip Emerald of its gaming license. The regulators claim Emerald's majority owners, Donald and Kevin Flynn, lied to state investigators and let two people with alleged mob ties buy casino shares.

Rosemont and five other Emerald creditors sued June 13 to try to force the casino into involuntary bankruptcy. The creditors want Wedoff to appoint a trustee to sell Emerald's license and use the proceeds to pay off the debts, estimated by Rosemont

See TALK on PAGE 10

Talk: Deal would let state sell license

Continued from Page 1

attorney David B. Goroff to be \$60 million.

Rosemont hopes the buyer of the license will want to build in the village. But Emerald officials have said for months that the gaming board wants the power to move the project out of Rosemont if it sees fit. The settlement agreement to be outlined today would give the board that power, and let it sell the license to the highest bidder.

The license is expected to fetch upwards of \$600 million. The proceeds, according to the settlement,

would be used to repay Emerald investors, including the Flynns, but with no profit. The cash would also be used to pay Emerald's attorneys and to repay with interest more than \$20 million in loans made to Emerald by Donald Flynn and two others. In addition, the deal would make the license buyer responsible for any future litigation between Rosemont and Emerald.

Potential breach of contract claims filed by Rosemont and the 71 suburbs set to share in Rosemont's casino tax windfall could exceed \$100 million, Goroff said.

The Rosemont attorney told the

bankruptcy judge Tuesday that the settlement plan is a "fait accompli" that makes no provisions for Emerald's creditors, which violates bankruptcy laws.

But Wedoff, surrounded by no less than 15 lawyers representing all of the various interests in the case, countered that Emerald is merely "an alleged debtor" until he rules in the involuntary bankruptcy case.

Another factor to be considered is Attorney General Jim Ryan, who has said he "can't conceive" of any settlement between the state and Emerald that he wouldn't block.

(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)

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Tribune photo by Charles Osgood

Illinois Gaming Board lawyer Robert Shapiro (center) details the new settlement offer during a board hearing Wednesday.

New casino proposal touted

Gaming Board to vote Monday

By Douglas Holt
Tribune staff reporter

The Illinois Gaming Board said it will vote Monday on a proposed deal with Emerald Casino Inc. to settle the long-running dispute sparked by allegations that casino officials lied under oath and allowed the company to be infil-

trated by the mob.

Board Administrator Philip Parenti hailed the proposed settlement Wednesday, saying shareholders would get only their \$63 million investment back, without profit, from a company that once appeared to have a green light to open what was likely to become the state's most lucrative casino in Rosemont.

"We have not permitted the wrongdoers—or anyone initially involved in what I would call this failed and

tainted venture—to profit," Parenti told the board in a public briefing on the proposed terms.

A major question remains about whether Atty. Gen. Jim Ryan, the GOP nominee for governor, will agree to the deal.

As recently as last month, he vowed to take legal action to block another settlement offer, saying the "tainted Emerald deal" should proceed to a license revocation hearing where allegations against the

company could be aired in public.

Gaming Board member Tobias Barry said the latest proposal appears to be the best alternative to a legal logjam.

"We have what appears to be a logical way to close the file and close out a lot of the other lawsuits" surrounding the disputed casino, he said. Barry, a lawyer and former judge, added, "In my business the best file is a closed

PLEASE SEE CASINO, PAGE 6

104B-CG-114999-NC-123

CASINO: Shareholders wouldn't see any profit

CONTINUED FROM PAGE 1

file."

As for Ryan, Barry said the pressure of campaigning has complicated his task.

"It's unfortunate that he's running for governor at this point in time," Barry said.

The latest push comes at a critical juncture for Emerald, which has hung on to the state-issued license that originally applied to a riverboat near Galena that failed in 1997. A 1999 law appeared to give the company unique rights to relocate to Rosemont.

On Monday—the same day as the board's settlement vote—Cook County Circuit Judge Sophia Hall is scheduled to rule on Emerald's lawsuit over whether the 1999 statute barred the Gaming Board from denying the license.

Also, Emerald must respond in court by Wednesday to an attempt by creditors to force the company into bankruptcy, a development that might wrest control of the license from

state regulators and put it in the hands of a bankruptcy trustee.

Like a May 23 Emerald offer, the latest settlement proposal would give the Gaming Board full control over who buys the Emerald's license and where the casino would be located.

The new deal differs from the old in two major respects. No shareholders would make a profit, unlike the previous deal in which some casino owners not accused of wrongdoing would have received an 8 percent annual return on their investment.

And under the new deal, principal casino owners Kevin and Donald Flynn would have to pay any costs associated with a lawsuit filed by California billionaire Marvin Davis.

That suit alleges that Kevin Flynn secretly negotiated to sell large stakes in the casino to Davis and Arlington Park Chairman Richard Duchossois in exchange for lobbying for the 1999 law.

On Wednesday, Ryan spokeswoman Lori Bolas said some, but not all, of Ryan's concerns have been addressed by the latest offer. She stressed that he had not signed off on the proposal.

"He's going to continue to monitor the situation and assess whether or not what the board does is in the public's best interest," she said.

(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)

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Donald Trump of Chicago behind casino

*Des Plaines working
with mogul to get license*

BY AMY McLAUGHLIN

Daily Herald Staff Writer

Chicago real estate investor Neil Bluhm, who has been compared to real estate giant Donald Trump, is the force behind the effort to bring a casino to the city of Des Plaines.

Des Plaines officials Thursday confirmed that Bluhm, president of nationally known JMB Realty in Chicago, met with city officials last week. JMB owns the Four Seasons Hotel and Ritz-Carlton in Chicago, developed Water Tower Place and owns parts of hotels and office buildings in Boston, Houston, Los Angeles and Seattle.

Bluhm, the 320th richest American in 2001, worth an estimated \$800 million according to Forbes magazine, was one of at least three investors to approach city officials with the casino idea. But his plan has emerged the strongest.

Des Plaines aldermen voted 7-1 Monday to proceed with casino negotiations, pushing the city into hot competition for Illinois' last remaining casino license first earmarked for neighboring Rosemont.

The pitch for Des Plaines involves building a gaming facility on the former Xerox property at 3000 S. River Road near Rosemont.

The 8-acre site was purchased in December for \$7.9 million by Chicago-based Marc Realty from Xerox Corp., according to tax records.

Neil Bluhm

Estimated
worth: \$800
million in 2001

Owens: Four
Seasons Hotel
and Ritz-Carlton
in Chicago and
Highland

Gaming Inc., which owns a stake in
the Casino Niagara in Niagara Falls,
Canada

Other dealings: President of JMB
Realty in Chicago; developed Water
Tower Place; principal of Chicago-
based Walton Street Capital, whose
holdings are estimated at \$1.1 billion



The estimated \$350 million casino project would bring in at least \$20 million to Des Plaines coffers.

Although there has been past opposition to a casino in Des Plaines, several aldermen this week said the idea should be explored, particularly given the city's financial state.

A casino in Des Plaines wouldn't be Bluhm's first foray into the world of gaming.

Another of his companies, Highland Gaming Inc., is one of the five stakeholders in the Casino Niagara in Niagara Falls, Canada.

Casino Niagara is part of an \$800 million complex that includes a Hyatt hotel, a theatre, an entertainment center, retail shops, and a

See MOGUL on PAGE 12

194B-CG-114999-NC-124

Mogul: Developer also tried to strike deal with Rosemont

Continued from Page 1

six-story parking complex:

The casino itself will be nearly 200,000 square feet and have 3,000 slot machines and 150 gaming tables.

An interim casino has been operating since 1996 in Niagara Falls while the permanent complex is being built. It is expected to open in early 2004.

Bluhm, 63, also is a principal of Chicago-based Walton Street Capital. Walton Street buys commercial properties for pension funds. The company's holdings are estimated to be valued at \$1.1 billion.

Bluhm, who lives in Chicago, could not be reached for comment Thursday.

Chicago Magazine referred to Bluhm as "Chicago's answer to Donald Trump" in a February article

about the richest Chicagoans.

Frank Kotnaur, a commercial real estate broker with CB Richard Ellis in Schaumburg, said both JMB and Walton Street Capital are well-known for their real estate holdings.

Kotnaur said it wouldn't be a stretch to hear executives are behind a casino bid.

"They made big money in real estate," Kotnaur said.

The Illinois Gaming Board has no record of Bluhm ever applying for an Illinois gaming license since riverboat gambling was introduced in 1990.

Officials with the Nevada State Gaming Control Board also have no record of Bluhm having an interest in any casino there.

Officials with the Ontario Lottery and Gaming Corp. could not be reached for comment late Thursday.

Bluhm's interest in an Illinois

casino is nothing new.

Rosemont Mayor Donald E. Stephens said he had a meeting in his village office with Bluhm several years ago.

Bluhm was interested in owning a casino in Rosemont if Emerald Casino's deal fell apart, said the mayor, who described Bluhm as "a reputable guy."

"My answer to him was: 'Mr. Bluhm we don't issue licenses or sell stock in casinos,'" Stephens said. "He was interested, but there was nothing we could do about it."

Bluhm is appealing to Des Plaines to sponsor a bid for the gaming license that could become available as a result of Emerald Casino Inc.'s failure to secure the license for a 3-acre site in Rosemont.

• *Daily Herald staff writer Shamus Toomey contributed to this report.*



BOB CHWEDYK/DAILY HERALD

Neil Bluhm, president of nationally known JMB Realty in Chicago, is working with Des Plaines to put a casino in at the Xerox building on River Road.

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(Indicate page, name of newspaper, city and state.)

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State strikes deal with Emerald

Attorney general can still block deal

BY SHAMUS TOOMEY

Daily Herald Staff Writer

Nearly a year and a half after dashing Emerald Casino's best laid plans to move into Rosemont, the Illinois Gaming Board Monday approved the terms of a settlement that would let the embattled project's owners walk

away with the money they put in — but little else.

The gaming board hailed the deal as the best for the people of Illinois because it forces Emerald's much-maligned owners out and sets up a bidding process that could bring the state hundreds of millions of dollars.

But Attorney General Jim Ryan,

Page 7

• A look at the lawsuits.

who has threatened to block any Emerald deal, would not tip his hand Monday on whether this deal passes, his unspecified muster. A spokeswoman said he will comment on it "within a few days."

Gaming board officials esti-

mated Emerald's license could fetch up to \$1 billion, of which \$150 million would be used to pay Emerald's investors and pay off its bills related to the casino.

Opponents of the settlement immediately labeled the money-back deal one that no regular casino-goer would ever get after gambling money and then losing.

But gaming board Chairman Gregory C. Jones said the settlement was the best way to look out for the interests of the state while

avoiding what could have been five years of court battles to try to wrest away Emerald's license. Emerald's owners were ruled unfit to open the casino after the board said they misled investigators and cut in two allegedly mob-connected people.

"Nobody is happy with a settlement," Jones said after the board voted 4-0 to finalize the deal in the next month. Board member

See DEAL on PAGE 7

Deal: Casino backers will get initial investment back

Continued from Page 1

Violet Clark, who joined the panel just last week, abstained from voting.

"You have give and take, and you try to get the core things that are most important," Jones said. "You want to maintain the integrity of gaming. By doing an open and competitive process (to sell the license), it helps to do that."

The settlement effectively shelves the ongoing license revocation hearing Emerald was enduring. Whether that hearing will ever begin again is now firmly in the lap of Ryan, the GOP nominee for governor who has made a political issue out of his desire to block a settlement. He has said he wants the hearing to go forward.

Jones courted Ryan's help by publicly inviting the attorney general to "monitor" the process the board hopes to soon craft to sell off Emerald's license and give a majority of the proceeds to the state.

Ryan spokeswoman Lori Bolas said the attorney general, with the help of his staff, "will analyze the settlement proposal and comment within a few days. His mission will

continue to be to protect the interests of the people of Illinois."

Another potential roadblock for the settlement is a bankruptcy proceeding. The village of Rosemont, which fears Monday's settlement will steer the casino license away from the village, has sued Emerald to try to force it into bankruptcy.

Rosemont, which built a \$45 million parking garage for Emerald, hopes a court-appointed trustee would then sell Emerald's license to pay off its debts.

Rosemont is betting it will have a better chance of landing the license through that process than through the gaming board.

Rosemont attorney Frank DiCastri said the state has no power to sell the license.

Members of the gaming board insisted Monday that Rosemont is still eligible for the casino, but said it has no more or less of an advantage than any other town.

Settlement opponents say because the parking garage has already been built, that gives the village a leg up on the bidding process, which could take more than a year.

The opponents also lamented that the revocation hearing has been put

on hold, saying potentially damaging evidence about Rosemont as a gaming mecca is now silenced. Gaming board attorneys, in opening statements at the hearing last month, claimed Rosemont Mayor Donald E. Stephens had a hand in picking some of Emerald's investors, including the ones the board claimed were associated with organized crime.

Stephens denied the charge.

Both the gaming board's chairman and its administrator, Philip J. Parenti, insisted no information would be buried if Rosemont is proposed again for the casino.

"If bidders bid on Rosemont as a location, then we'd expect disclosure of this information," said Parenti. "I am not going to comment on the evidence or the suitability of any location at this time."

According to the settlement, all of the casino investors—including the disputed two—get their initial investment back without interest.

That \$63 million would come from the proceeds of a license sale. In addition, the \$35 million loaned to the casino by majority owner Donald Flynn and two others would be

repaid. That includes interest. Emerald's lawyers would also be paid the \$3 million they are owed, as would Rosemont if it wins the breach of contract case it filed against Emerald.

If Emerald went through the license revocation hearing and lost its license—as was expected—it would walk away with nothing but its liabilities.

"Emerald is pleased with the resolution," its attorney, C. Barry Montgomery, said. "We're going to put it behind us. I don't know if it's the best deal. But a deal's a deal."

Board members encouraged towns and developers interested in Emerald's license to begin putting together proposals.

According to the settlement, Emerald will technically get to choose which proposals go to the gaming board. But Parenti made it clear that the state will control the process.

"We're going to be there, and we're setting the parameters," he said.

The suits surrounding Rosemont casino

BY SHAMUS TOOMEY

Daily Herald Staff Writer

Ever since the Illinois Legislature opened up Cook County to legalized casinos in 1999, the battle over bringing one to Rosemont, it seems, has ended up in more courtrooms than Perry Mason did.

Lawsuits have been filed over the constitutionality of the 1999 law, the meaning of one word in that law, the breakdown of who will profit from the law, the cries of those who fear they won't profit from the law and a dispute between the two parties that thought for sure they would both profit from the law, but now that conclusion is in doubt.

The legal bills of the company that wants to build and run the casino, Emerald Casino Inc., alone are estimated to be more than \$3 million — and that specifically excludes any costs or judgments arising from the one lawsuit that got the rest of them rolling, one filed by millionaire Marvin Davis shortly after the 1999 law was passed.

Here's a breakdown of the various litigation:

- *Marvin Davis vs. Emerald Casino* (1999). The California oil tycoon files a suit in federal court claiming Emerald CEO Kevin Flynn promised him

and Arlington Park's Dick Duchossois large stakes in the casino in return for wielding clout to get the 1999 law passed. When it did become law, Davis claims Flynn cut both men out. The suit launches rounds of depositions that the Illinois Gaming Board later uses against the casino when trying to revoke its license. A federal judge dismisses Davis' case, saying it belonged in state court.

- *Lake County Riverboat vs. Illinois Gaming Board* (1999). A group of investors, led by Glenn Seidenfeld, sues the state, claiming the 1999 law was written specifically for Emerald Casino, thereby making it illegal "special legislation." The group, which wants to put a riverboat casino on Fox Lake, loses in January, 2001, when a Cook County judge rules the group could not qualify for a license, and therefore is not eligible to challenge the law. A state appellate court upholds the judge's decision last Friday.

- *Emerald Casino vs. Illinois Gaming Board* (2001). The casino files an appeal necessary to protest the board's January 2001 ruling that Emerald will not be allowed to transfer its defunct license to Rosemont. The board claims Flynn and others misled it and let two people with alleged mob ties buy shares. The

appeal leads to a license revocation hearing before a state-appointed hearing officer. That hearing is now on hold while both sides await the fate of their proposed settlement.

- *Mayor Donald E. Stephens vs. Wayne Johnson* (2001). Rosemont's mayor sues the former chief investigator for the Chicago Crime Commission for defamation. Johnson has warned the Illinois Gaming Board that Stephens had several friends and former business partners with alleged ties to organized crime. The case is still pending in Cook County Circuit Court.

- *Emerald Casino vs. Illinois Gaming Board* (2001). The so-called "shall means shall" suit is filed in Cook County Circuit Court. Emerald argues that because the 1999 law said the state "shall" approve Emerald's license transfer, the board was obligated to do so. The board claims "shall" gave it the option to reject it. A Cook County judge agrees with the state Monday.

- *Village of Rosemont vs. Emerald Casino* (2002). Rosemont sues Emerald in March, claiming casino owners breached their 99-year lease with the village by botching the state approval process, which was seen as a done deal by most. The village fronted the casino more than \$40

million for a parking garage, which now stands next to the unfinished casino skeleton along I-294. Rosemont is represented in this case by former U.S. Attorney Dan Webb, who twice brought fraud cases against Mayor Stephens in the 1980s. The mayor was acquitted both times. The breach of contract case is pending in Cook County Circuit Court.

- *Degen & Rosato/Power Construction vs. Emerald* (2002). Emerald's two contractors sue in April to try to get the casino to pay \$2 million in unpaid construction bills. Still pending in Cook County Circuit Court.

- *Philip N. Crusius vs. Illinois Gaming Board* (2002). The suit, filed by the Better Government Association, makes the same argument as Lake County Riverboat did — that the 1999 law unfairly favors Emerald. It is pending in Cook County Circuit Court.

- *Village of Rosemont et. al vs. Emerald Casino* (2002). Rosemont and five other groups that are owed money by Emerald file an "involuntary bankruptcy" lawsuit last month to try to force the casino into bankruptcy. The theory is, if a federal judge agrees the casino is bankrupt, he could sell off Emerald's gaming license and pay back the casino's creditors. Still pending in federal bankruptcy court.

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(Indicate page, name of newspaper, city and state.)

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Players lining up to get in casino game

Rosemont still might have edge on license

BY SHAMUS TOOMEY

Daily Herald Staff Writer

It wasn't long after the Illinois Gaming Board voted early this week to sell off Emerald Casino's license in an open bidding process that phones began ringing.

The board's action, which still faces several potential roadblocks, means Rosemont no longer has the inside track on the state's only unused license. And that means the Great Casino Scramble is officially on as other towns and developers prepare to make their pitch for why they should get the license instead.

Calumet City already made its case to the gaming board this week. A developer in Waukegan was fielding calls from interested parties within

minutes of Monday's vote. And a group in Fox Lake still might want a casino.

There has been past talk about casinos in Rockford, Harvey, Springfield and Decatur. And even Chicago Mayor Richard M. Daley on Tuesday wouldn't definitively say whether he wants in on what the gaming board has promised will be an open and fair bidding process.

"Everyone felt Rosemont had this tied up," said developer Alan Ludwig, who wants to build a casino in Waukegan. "Now it looks like it's going to be on a level playing field, and other communities are being given an opportunity to compete. ... Obviously, this was what Waukegan

See CASINO on PAGE 9

Casino: Rosemont still might have an edge

Continued from Page 1

was waiting for."

Emerald is being forced to give up its license because of allegations of wrongdoing. The gaming board agreed Monday to settle its differences with Emerald if the company sells the license and gives most of the money to the state.

With that decision, the towns and developers that felt cheated three years ago when the Illinois General Assembly penned a law that essentially sent the license to Rosemont are now back in the game — provided Illinois Attorney General Jim Ryan doesn't try to stop the deal, as he has threatened in the past.

One possible suitor of the license is Lake County Riverboat, a group that wants to put a casino on Fox Lake. Led by Glenn K. Seidenfeld Jr., the project's investors sued the state in 1999, claiming its then-new gaming law unfairly favored Rosemont and Emerald.

A state appellate court last week upheld a lower court's ruling that the group was not eligible to sue. Group attorney Hugh Griffin said Tuesday he plans to appeal to the Illinois Supreme Court, but neither Griffin nor Lake County Riverboat officials would say whether they plan to apply for Emerald's license now.

If Ryan indeed tries to block the settlement between Emerald and the gaming board, that could force Emerald back into a license revocation hearing that could result in five years of litigation.

Rosemont also is hoping the settlement will be blocked by a federal judge who is considering the village's claim that Emerald is bankrupt and a trustee should sell its license to a company that would open a casino in Rosemont. The Rosemont case goes back before the bankruptcy judge July 9, and Ryan has said he will offer his thoughts on Monday's settlement "within a few days."

If the settlement goes forward and the state bids out Emerald's license as planned, towns such as Calumet City are ready. The South suburb dispatched lawyers to the gaming board meeting Monday — promotional materials in hand — to pitch it as a great place for a casino.

Ferdinand Serpe, an attorney for the town, told the board that prostitution and drugs in the suburb have been cleaned up and that a casino "would provide significant economic development across our entire region" while luring cash from Indiana wallets.

Ludwig uses the same argument

for his Waukegan plan, but uses a different state.

"It will bring in half its business from out of state, from the Milwaukee, Racine and Kenosha area," he said. "It meets the criteria from when the legislation was written — a community that's downtrodden, that desperately needs the help."

Past talk about Waukegan as a home for a casino focused on a boat on Lake Michigan. But because the legislature rewrote the law in 1999 to allow a casino in any body of water, including a manmade pond, Ludwig said he is considering several pieces of land in Waukegan "on the major tollway network" for a casino in a pond, also known as a boat-in-a-moat.

"With the new legislation, it will be very easy to access," he said.

Chicago has gone back and forth on whether it wants a casino. Daley on Tuesday offered no real clue on whether he would reverse his course and apply for the license.

"Gee, I don't know," Daley said. "I really haven't thought about it."

Rosemont is still hoping it will end up with the casino. Many believe that because Emerald's buyer might be forced to repay Rosemont for the \$45 million parking garage it built for Emerald, that it has a leg up. Rosemont also has Emerald's partially built casino, infrastructure in place linking the casino site to O'Hare International Airport and a casino tax revenue-sharing agreement with 71 other suburbs.

Gaming board Chairman Gregory Jones made clear this week that he likes the idea of revenue-sharing between towns and encouraged other communities to come up with similar ideas.

Rosemont and its supporters argue there is no better site for a casino because of O'Hare's potential to let out-of-state gamblers leave their money behind. Rosemont supporters urged the gaming board this week to not ignore what they consider to be the best location.

"Contrary to what some people say, Rosemont is not a place where a criminal lies around every corner," said Gregg Horan, managing partner of Gibson's Steakhouse, which has restaurant in Rosemont. "It would be counterproductive to consider another location when the perfect site already exists."

Richard Morgan, managing partner for the Hyatt O'Hare, agreed, touting Rosemont's public services as a plus for a casino.

"You want to have a heart attack? Do it in Rosemont because the para-

medics will be at my hotel in minutes," Morgan told the gaming board this week. "Want to have a fire? Have it here."

The gaming board has not yet decided how it will stage the bidding process, other than to say Emerald will help bring together proposals that will be submitted to the board for consideration. Chairman Jones stressed that money was not the only consideration, and that regulatory standards are essential. The entire process could take more than a year, officials said.

As for Ludwig, he plans to contact all of the major gaming companies in the next week and come up with a Waukegan proposal.

"We've been talking to them on and off for the last six months, but not seriously because no one knew how this was going to work out," he said. "(Monday's vote) put this into play for real."

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(Indicate page, name of newspaper, city and state.)

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Casino scramble in high gear

Towns assembling proposals in bid to snag license

By Michael Higgins
and Dan Mihalopoulos
Tribune staff reporters

With hopes of getting a casino license, hundreds of millions of dollars a year in reve-

nue and millions more in local taxes, the race is on in communities from Waukegan to Calumet City to put together a proposal that will win over state regulators.

A handful of the nation's biggest casino companies, together with local officials, developers and middlemen, have begun combing the landscape to find the right spot and the right combination of people.

Since the state Gaming

Board announced almost three weeks ago that it might put up for bids the license once destined for Rosemont, a Waukegan developer working with the city said he has spoken to five casino companies who are interested in working for a northern gaming palace.

Officials in Calumet City met Wednesday with the top official from a coalition of neighboring suburbs in an effort to build support for a

south suburban run at the license, promising revenue-sharing in exchange for political backing.

In Des Plaines, city officials expect to hear from more casino companies since they signaled a willingness earlier this week to get into the casino derby, a sharp turnaround from the town's anti-casino stance several years ago.

And officials at Harrah's Entertainment, the Las Vegas-

based gaming colossus, acknowledged Wednesday they are also making contacts regarding the remaining Illinois license.

The mating dance of companies and communities is under way even though the Gaming Board has not set forth the process under which the new owner of the license will be determined.

PLEASE SEE CASINO, PAGE 2

194B-CG-114999-NC127 FBI/DOJ

CASINO: Calumet City, Waukegan in license hunt

CONTINUED FROM PAGE 1

Some communities and their would-be partners hoped the board would shed light on the process at its meeting Tuesday. But the Gaming Board instead postponed a vote on the final terms of its settlement with Emerald Casino, the company that has agreed to give up its license to settle allegations that top officials lied to state investigators and sold shares to two investors with ties to organized crime.

"Everyone is trying to feel out where they want to end up," said developer Alan Ludwig of S-L Waukegan Inc. "It's like getting into condition before the season."

Ludwig said Wednesday that

his firm has talked with Las Vegas-based companies including MGM Mirage, Park Place Entertainment, Harrah's Entertainment, Mandalay Resort Group and Boyd Gaming. "We've been talking to all of them," Ludwig said. "They're all very interested in Waukegan."

A Harrah's spokeswoman said officials have had "a number of discussions with different people" regarding the license, but would not identify developers or communities. A Park Place spokesman said officials "continue to be interested in the license" but wouldn't confirm any specific conversations.

Both officials said their companies were weighing the state's recent tax hike on casino revenues—from 35 percent on revenue over \$100 million to 50 percent on revenue over \$200 million—before moving forward with a proposal.

Officials at the other companies could not be reached.

Meanwhile, Rosemont officials continue to argue that the Gaming Board has no authority to move the license anywhere.

A spokesman for Mayor Donald Stephens said this week that Des Plaines' newfound interest in a casino is "almost laughable," noting that officials there had decried the possibility of gambling in Rosemont.

"There was so much opposition in Des Plaines—or so it seemed," said spokesman Gary Mack. "If it's true that they're looking for a casino license, that would be a true irony."

Though speculation about a possible Des Plaines casino site focused on the city's southeast corner, near Rosemont, city officials said they do not have a site in mind.

(Mount Clipping in Space Below)

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METROPOLITAN DIGEST

ROSEMONT

**Bankruptcy claim invalid,
Emerald lawyers contend**

Rosemont's attempt to force bankruptcy on Emerald Casino Inc. is invalid and should be dismissed, with Rosemont picking up the tab and paying damages, Emerald lawyers contend in court papers filed Wednesday.

Emerald, an investor group found unfit to run a casino by the Illinois Gaming Board, was hit with an involuntary bankruptcy filing by Rosemont and other entities in June.

The village and contractors claim Emerald Casino owes them \$46 million for breaching

contracts to pay for a parking garage and partial construction of the casino.

All debts owed by the casino company will be paid when it is sold under a settlement in the works with the Gaming Board, Emerald lawyers wrote, negating any need for a bankruptcy proceeding.

Emerald also argued the claims can be settled in Cook County Circuit Court, where Rosemont and casino contractors already sued to collect money they said was owed them.

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DAILY HERALD
ARLINGTON HEIGHTS, IL.Date: Thurs 7/25/02
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Mayor's casino payback plan

Fiery Stephens says towns that try to steal gambling license will be cut out of consortium

BY SHAMUS TOOMEY

Daily Herald Staff Writer

For a man who doesn't like to gamble, Donald E. Stephens put a lot of money on the table for a hand he now believes he may never win.

Rosemont's mayor, and scores of other people around Illinois, didn't see Emerald Casino as a risk, however. Every other casino in the state began building before getting formal state approval, Stephens insists. Not only that, Emerald signed a contract promising to pay Rosemont back if it built a \$45 million parking garage for

the casino.

But now that the Illinois Gaming Board rejected Emerald because of alleged lies and mob ties and moved to let all towns enter a bidding process for Emerald's license, the only mayor in Rosemont's 46-year history can only watch as others line up to take away what he believes is Rosemont's.

To those towns, Stephens warns, there could be payback if Rosemont finally gets a casino.

The village is fighting the gaming board's plan in court, but Stephens, 74, makes no predictions if he'll win

or lose—or even if the village will be repaid for the garage. The uncertainty means Stephens has no answers for developers who want to build near the casino site. And he's been told the biography he commissioned is on hold pending the outcome of the casino chapter.

Not that he's staying mum on the topic. The following is part of a spirited defense of his community the mayor gave to the Daily Herald this week:

Q. You have put so much effort into this project, including offering 80

percent of the local tax revenue to 71 other suburbs. How do you react to word that other towns are angling for the casino?

A. There's a certain irony to it. Some of these communities wouldn't even take free money because it was "dirty." ... Des Plaines said they didn't want that dirty money. Now they all want a casino. ... I will say this: In the end, if that casino goes to Rosemont and someone that was in that (revenue-sharing) program has sought to

See DEAL on PAGE 13

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Deal: Stephens defends town he helped build

Continued from Page 1

take it away from Rosemont by submitting an application on their own or in any way trying to diminish our efforts here, they will be thrown out of the program. You cannot oppose us and then take our money.

Q If Des Plaines is chosen to get the casino, would Rosemont get a residual benefit because it is so close? A sort of consolation prize?

A It's not what we want. Obviously, we want it to go where the thing is half built now. What do we do with the half-built casino that's here? We've had some estimates to clean the site up. It's \$3 million to clean it up ... And the contractor gets to sell the steel for scrap or else it would be more.

Q Do you think the gaming board is cheating you out of a casino?

A I think they're trying to do that. Yes. I think they're trying to paint a

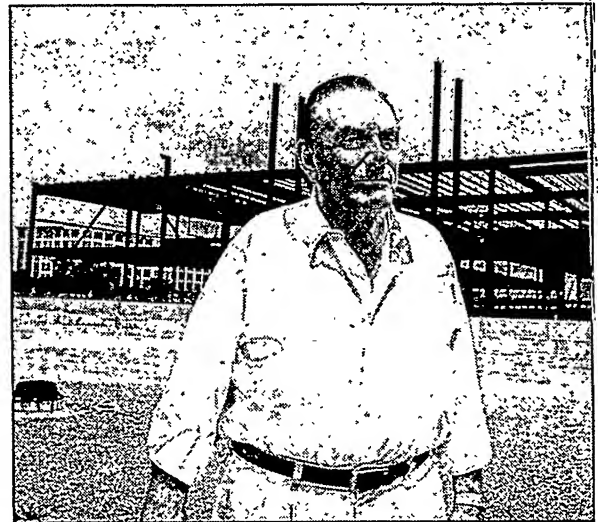
picture of this community as a crime-laden community. Which is absolute nonsense ...

This idea of crime syndicate involvement is a red herring. Absolutely. I never denied that I bought a piece of property from (a nephew of former mob boss Sam Giancana in 1962). ... I've been putting up with this (stuff) for years and, frankly, I'm a little tired of it.

Q Do you regret the purchase of that motel now?

A How can I say I regret it? I bought a piece of property from the gentleman, and I say gentleman because I knew nothing about him. And he was a gentleman to me when I bought it. I saw the guy twice. I bought the real estate. It was a very successful real estate deal. I ended up selling it 25 years later and made a lot of money.

Q The talk of you having connections to organized crime figures persists, including accusations lodged last year by a top Chicago



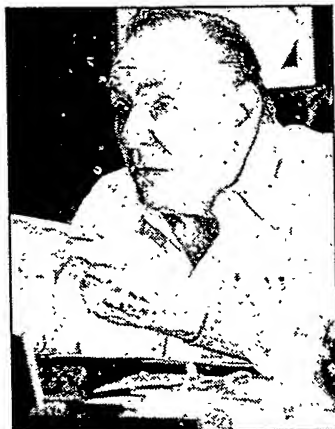
On scramble for the casino:

"Some of these communities (before) wouldn't even take free money because it was 'dirty.' ... Now they all want a casino."

Crime Commission investigator, whom you are now suing. Why do you think the rumors haven't gone away?

A I've had a minimum of 12 Internal Revenue audits. I've had three intelligence investigations—all since I bought that piece of property. I hear remarks like this: "Oh, he could have never built that community without the mob." If we had the mob, you know what we'd have? We'd have girly joints. We'd have X-rated bookstores. You sure as (heck) wouldn't have what we have.

You have to remember, Rosemont was a bad area before it was incor-



On mob rumors:

"I hear remarks like this: 'Oh, he could have never built that community without the mob.' If we had the mob, you know what we'd have? We'd have girly joints. We'd have X-rated book stores."



PHOTOS BY MARK BLACK/DAILY HERALD

On Gov. George Ryan and the casino:

"He's my friend. ...I said, 'George, stay out of it. It can do nothing but hurt you.'"

porated. It was warehouses and garbage dumps. That's what this was. I know, because I raided them. I was a young man. I saw it on television. I went there and knocked over doors and everything else. It probably was against the law. I probably violated their rights, looking back 40 years ago. I probably did. But I got rid of them. I got rid of all that garbage. ...

There's nothing magical about it. These people cannot exist if law enforcement won't let them. They can't. And if anyone ever tells you any different, they're full of (it). ... In a small suburban community, if there's not some type of connection

they can't exist. They just can't.

Q: Do you think the mob allegations sunk the casino?

A: There's no question at all in my mind. When I went down (to the gaming board) supposedly to talk about a development agreement, and they bring up these kind of things, what would you think?

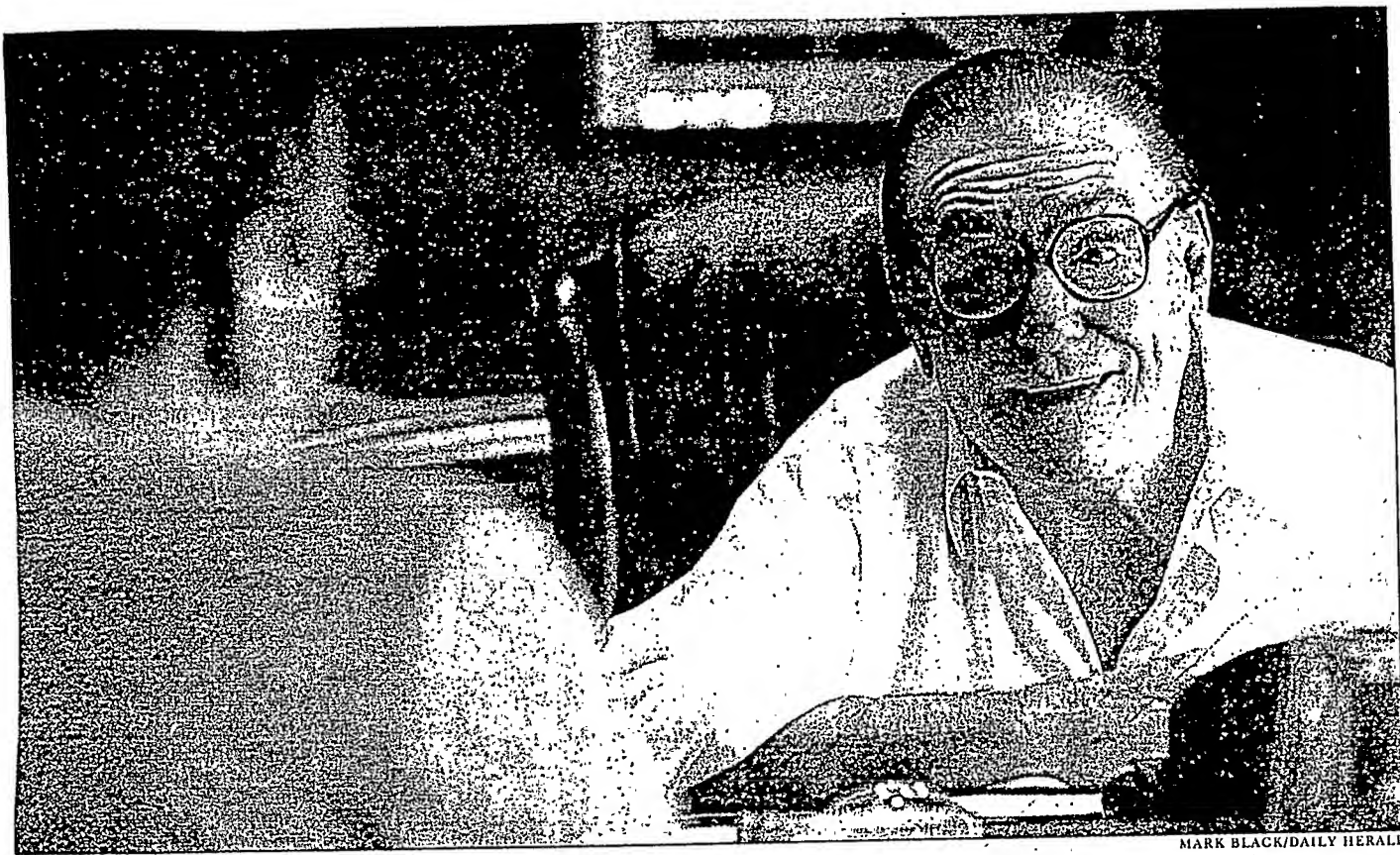
Q: Have you spoken recently to Gov. George Ryan about the casino?

A: We don't talk about it. Matter of fact, some while back, we talked about the casino. And I'm serious

about this because he's my friend. Right off the bat, he's my friend. His wife is our friend. My wife and I, we go out socially. We're friends. I said, "George, stay out of it. It can do nothing but hurt you. You have enough problems right now. Stay out of it."

Q: You said you've never been in an Illinois casino, but you've been to Las Vegas. Do you gamble?

A: I don't like to gamble. Never have. You can't win. Mathematically, you can't win. You think they built all of those magnificent buildings in Vegas on what the winners got?



MARK BLACK/DAILY HERALD

Rosemont Mayor Don Stephens isn't sure if he'll win or lose in his court battle with the Illinois gaming board.

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METROPOLITAN DIGEST

CHICAGO

**Casino lawyers seek delay
of Gaming Board hearing**

Emerald Casino lawyers Tuesday sought to delay a hearing in which regulators plan to lay out their case against the company's proposal to build a casino in Rosemont.

Emerald's lawyers are pushing for a settlement that would allow them to sell their casino license for \$615 million to a Las Vegas company.

State approval for a settlement is nowhere in sight and the hearing is set for May 20. Lawyers for the Illinois Gaming Board are scheduled to produce evidence then that led to a finding last year that two Emerald shareholders have ties to organized crime, that construction

site work was done by a mob-related firm and that top casino officials repeatedly lied to Gaming Board investigators.

Emerald lawyer Michael Ficaro said a delay is needed because the Gaming Board produced more than 7,400 pages of documents last month that need to be analyzed.

"I would be committing malpractice if I did not investigate this information to the fullest," Ficaro said at a meeting Tuesday at the Gaming Board's Chicago office.

Administrative Law Judge Herbert Holzman promised a decision on the delay request by Thursday.

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State says Emerald withheld documents

BY SHAMUS TOOMEY

Daily Herald Staff Writer

An attorney for the Illinois Gaming Board on Tuesday accused Emerald Casino officials of intentionally withholding thousands of documents from the state, including "damaging" papers that could undermine the casino's appeal of its license revocation.

That appeal is scheduled to begin before a state-appointed administrative law judge on May 20 and last eight weeks. But Emerald attorney Michael Ficaro asked the judge Tuesday to delay the hearing until at least late August, claiming he needs

the time to investigate more than 8,000 documents just turned over to him by the state.

Gaming board attorney Robert E. Shapiro strenuously objected to any delay. During an often heated hearing Tuesday before the administrative law judge, Herbert L. Holzman, Shapiro said the majority of documents recently given to Emerald were papers the state obtained by subpoenaing Emerald's architect and contractor.

Shapiro added that Emerald has had its own copies of the documents for years and has refused repeated requests to turn them over to the state. To delay the hearing because

Emerald just got duplicate copies of documents it withheld would be to "reward misconduct," he said. "It's an absurdity that they want more time because they got caught withholding documents," Shapiro said.

Shapiro refused to detail what exactly is in the paperwork, other than to say it relates to the uncompleted construction of the casino in Rosemont. The gaming board, in addition to accusing Emerald officials of lying to investigators and allowing two mob-connected men to buy shares of the casino, has claimed Emerald improperly began construction without approval.

Emerald's Ficaro said the casino

was not obligated to turn over the papers because it did not plan to rely on them for its appeal. But because the state plans to use them, Emerald should be allowed more time to study them, he said.

"If we start on May 20, there would be no due process for Emerald ... in this \$1 billion matter," Ficaro said. "It will become a kangaroo proceeding."

Holzman said he'll decide on Thursday whether to delay the start of the appeal.

Ficaro said his request for a delay was not an attempt to buy more time while Emerald tries to sell its license before it can be officially revoked.

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Gambling critics give political warning to casino sponsors

BY JOHN PATTERSON

Daily Herald State Government Editor

SPRINGFIELD — Gambling opponents issued a warning to lawmakers Tuesday, saying if they vote to expand gambling, it will come back to haunt them in November.

The political threat comes as lawmakers ponder raising taxes on riverboat casinos to help bridge a \$1.2 billion budget gap. Supporters of gambling say if taxes are

going up, the casinos should be allowed to add more gambling machines. State law now restricts each boat to 1,200 gambling spots and there is early support for upping that limit from some of the state's political leaders.

The casino industry estimates an increase of 300 gambling spots per boat would bring in \$115 million a year to the state.

On Tuesday, Illinois Senate President James "Pate" Philip, a Wood Dale Republican, said he

had no problem increasing gambling spots if it means more money for the state.

But critics say the plan is an expansion of gambling.

The Rev. Tom Grey, president of the National Coalition Against Legalized Gambling, said the casinos already make millions and there's no reason to give them anything in return for higher taxes. "This is a cancer that metastasized. Once it's in, it has grown," he said of gambling in Illinois.

Grey said he has not forgotten it is an election year and said if the plan is approved, it "will cost the politicians at the voting booth."

But Philip disputed the political side effects of such a vote, saying gambling, tobacco and liquor taxes are the only "taxes you can get away with raising and you won't get a lot of heck back home."

He said he doubted adding more gambling spots would carry serious political ramifications at the polls.

METRO

Jim Ryan pulls plug on casino profit deal

BY ART GOLAB
AND CHRIS FUSCO
STAFF REPORTERS

Attorney General Jim Ryan rejected the latest offer Thursday from Emerald Casino Inc., a deal in which the controlling stockholders, the Flynn family, would give up all profits from the sale of the company's casino license.

Ryan's move makes it even less likely that the fate of Emerald will be settled before a hearing set to start Wednesday on the revocation of the casino's license.

Ryan had objected to an offer placed on the table Monday, saying "wrongdoers" would have reaped profits and that the Gaming Board should "get on with" the hearing to investigate allegations of mob ties to Emerald.

The latest offer didn't change his mind. His spokeswoman, Lori Bolas, said Ryan stands by his earlier statement and that "he believes that the tainted Emerald deal ought to proceed to the revocation hearing where allegations can be aired fully in front of the public."

Emerald attorney C. Barry Montgomery described the hearing as a "lose-lose" situation, saying if Emerald's license were revoked, it would revert to the Mississippi River region instead of Rosemont, where it would be "virtually worthless to the state."

He added that such a move would trigger a flurry of lawsuits that would tie up the license for years.

But, if regulators accepted the latest deal, Montgomery said, the state would reap more than \$500 million from the sale of Emerald's license. MGM-Mirage is bidding about \$700 million for Emerald's license to operate in Rosemont, a deal turned down by the Gaming Board.

In the latest offer, all Emerald investors would get their money back. The Flynns, accused of lying to the Gaming Board, and two other investors with alleged mob ties, would not receive a profit. Other investors, including a 20 percent minority contingent, would receive an 8 percent return on their investment.

Like the earlier offer, this deal lets the Gaming Board sell the license to whomever it wants and put the casino wherever it wants. But Rosemont Mayor Don Stephens said Emerald's proposal seems to broach its current agreements with Rosemont and MGM-Mirage.

"My lawyers at first blush think there's more litigation in this," Stephens said.

Gaming Board spokesman Gene O'Shea would not comment on the proposal but said the board is set to discuss Emerald litigation at its Tuesday meeting.

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Chicago Sun Times
Friday, May 31, 2002

5-31-02

BUSINESS

Chicago Sun-Times

Teamsters officials barred permanently for corruption

BY FRANCINE KNOWLES
BUSINESS REPORTER

William Hogan Jr., head of the 100,000-member Teamsters Joint Council 25 and at one time a running mate to international president James P. Hoffa, has been permanently barred from the union for corruption.

The Independent Review Board barred Hogan and Dane Passo, special assistant to Hoffa, from working or holding membership in the union. The board ruled the two colluded with a non-union placement company in Chicago, where Hogan's brother was an executive, to help the company land convention and trade show work in Las Vegas that could have gone to Teamsters Local 631 members there.

Under the scheme, the workers from United Services would get

less pay and benefits than the Teamsters contract requires when outside workers are used. Workers would get \$8 per hour, compared to the \$12.49 an hour the contract requires.

"Passo's and Hogan's actions, which Local 631 officials fought, were designed to benefit United and the trade show contractors, including Hogan's brother's company," said the IRB decision.

"There was no benefit to Local 631, its members or the United employees. In fact, they were repeatedly harmed."

The decision followed a hearing, in which Hogan and Passo denied wrongdoing. Hogan and Passo did not return calls for comment.

The international union declined comment.

"It's a welcome decision to have these top Hoffa aides who were

found selling out members to be removed from the union," said Ken Paff, organizer with Teamsters for a Democratic Union, which has fought corruption. "This ... would have undermined a contract for 1,100 Teamsters."

Hogan was Hoffa's running mate in 1996 against a ticket headed by then-union international President Ron Carey. Hogan, who at that time headed Teamsters Local 714 and the joint council, stepped down after the international suspended him and placed the local under trusteeship. The international accused Hogan of steering higher-paying jobs to family members and friends, and failing to run the local democratically.

The local represents thousands of workers at McCormick Place and the Rosemont Exposition Center.

PBC

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(Mount Clipping in Space Below)

Des Plaines poised as casino deal hastened

Gaming board puts process on fast track,
possibly favoring towns already digging in

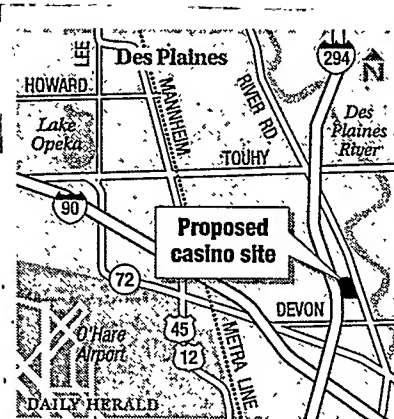
BY ERIC KROL
AND AMY McLAUGHLIN
Daily Herald Staff Writers.

The Illinois Gaming Board decided Thursday to move quickly in auctioning off the state's only available casino license, possibly giving a leg up in the high-stakes chase to towns like Des Plaines, which has been busy lining up a partner and a site.

Suburbs wanting in on the gam-

bling action will have to get their proposals to the board by late September or early October. The fast-track approach was announced as part of the gaming board's settlement of a lengthy legal battle with Emerald Casino, which wanted to put its emporium in Rosemont but saw its plans sink amid accusations of mob ties and lies to state investigators.

The settlement also came after Attorney General Jim Ryan, who pre-



viously said he couldn't "conceive of any deal" his office would approve, signed off on it because it prevents Emerald owners from reaping wind-fall profits.

The open bidding process means Des Plaines, Rosemont, Waukegan and several South suburban hopefuls will be scrambling to put together the right combination of gambling company partner, developer and site that will appeal to the gaming board, which also will expect an up-front payment that could run between \$500 million and \$1 billion.

While state officials say no town has been ruled out, gaming board attorney Robert E. Shapiro said the casino investors likely would want to locate in a place that would generate enough customers to recoup that

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initial investment.

Fitting the profile

Des Plaines and Rosemont, with their proximity to millions of travelers a year at O'Hare International Airport, seems to fit that bill.

A big plus, according to Des Plaines casino backers, is the fact that Des Plaines already has a willing developer in Chicago real estate investor Neil Bluhm, president of nationally known JMB Realty Co. in Chicago and a partner in Casino Niagara in Niagara Falls, Canada.

"I think we're further ahead than any other community," said Greg

Carlin, a managing partner with Lamb Partners, a Bluhm company based in Chicago.

Even those who oppose a casino in Des Plaines, like 7th Ward Alderman Don Smith, find it hard to argue against claims that the City of Des Plaines would be the next best site for a casino after neighboring Rosemont.

The area along River Road near Devon Avenue that is being pursued for a casino is only a few blocks away from the Rosemont site, and it's close to expressways, hotels and O'Hare.

The quick nature of the gaming board's bidding process also means

See CASINO on PAGE 7

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AUGUST 9, 2002
CFAIPA

Casino: Rosemont still not ruled out

Continued from Page 1

there likely won't be time to take the issue to voters in November. In 1994, a majority of voters rejected a casino bid from Primadonna Resorts Inc. for land near Maryville Academy. The city will hold a public meeting on the casino issue at 6:30 p.m. Aug. 20 in city hall, 1420 Miner St.

Rosemont's prospects

Despite seeing their Emerald plans disintegrate, Rosemont officials still think the village has the inside track on the coveted casino.

Village Attorney Peter Rosenthal scoffed at the idea that Des Plaines is in a better position than Rosemont to bid for a casino.

"Does anybody have a partner?" Rosenthal said. "It is my understanding that Des Plaines is talking to Mr. Bluhm's group, but has not signed an agreement with them. We do not have an agreement with anyone with regard to making a proposal, but to my knowledge, nor does any other community have an agreement with a casino operator."

Rosemont already has the \$45 million parking garage, a casino site that's ready to go and an agreement with 71 other Cook County suburbs to share in the profits, something that gaming board said is a criterion in its selection process.

The board has not ruled out Rosemont, but gaming board Administrator Philip Parenti has said the state could disclose its concerns about the town's fitness to host a casino.

In Lake County, Waukegan Mayor Richard Hyde said he plans to meet with city officials and casino developers today to discuss the next step in their potential site near the Tri-State Tollway, but news of the short time frame did not inspire optimism.

"As long as it's going to be put on the fast track, I think the larger and more affluent cities will have the edge," Hyde said.

One gaming industry insider agreed that a deal could be put together in two months but said towns that already have been taking about trying for the license run the risk of looking presumptuous to the

gaming board, which will have the final say.

Gaming industry observers have said a South suburb could be an unlikely choice for the license because it would compete with the Joliet riverboats. That also could bode well for a casino in Lake County, which would draw out-of-state cash while not poaching heavily off Illinois boats.

Emerald's exit

The suburbs vying for the casino license wouldn't even be in the game without the settlement between the state board and Emerald.

Casino gambling looked like a sure bet for Rosemont when Gov. George Ryan and legislators changed state law in 1999 to pave the way for the rise of Emerald. Ultimately, the gaming board voted to deny Emerald's casino bid after investigators said two investors had ties to organized crime and accused owners Donald and Kevin Flynn of lying to them.

Emerald appealed that decision, and a hearing on that appeal was suspended this spring while both sides looked for a way out.

The settlement allows Emerald investors to recoup their \$63 million investment without profit, and it forces the casino to sell its license.

"We wanted the Flynn's out of Illinois," Parenti said.

And that's fine with the Flynn's, said Emerald attorney C. Barry Montgomery.

"The Flynn's are ready to get out of gaming in Illinois and are glad this is settled. They can get on with their lives," Montgomery said.

The gaming board will use a sales agent to administer what amounts to an auction for the casino rights, and the fast-track approach means its possible the board could vote on awarding the license before Gov. Ryan leaves office in early January. Such a move would allow the governor to add \$500 million or more to the state's troubled bottom line before turning over the reins to the new governor.

• Daily Herald staff writers Cass Claitt, Shamus Toomey and Jason King contributed to this report.

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Des Plaines poised as casino deal hastened

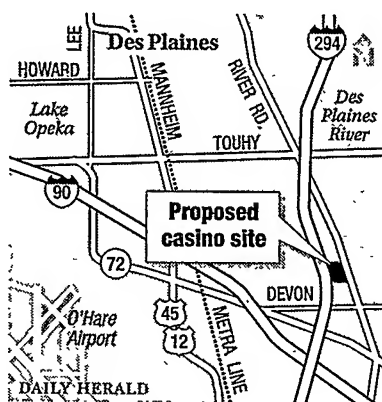
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BY ERIC KROL
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Daily Herald Staff Writers

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• *Daily Herald staff writers Cass Cliatt, Shamus Toomey and Jason King contributed to this report.*

(Mount Clipping in Space Below)

Casino proposal too close for nearby town's comfort

BY BOB SUSNJARA

Daily Herald Staff Writer

Waukegan's lakefront and farmland southwest of O'Plaine Road and Route 120 are among the sites under consideration if the city submits plans to the state seeking a casino.

Gurnee Mayor Donald Rudny pre-

dicts his residents will have a negative reaction if Waukegan tries to pitch a casino for O'Plaine and Route 120 near the Tri-State Tollway because that area is at the village's south border. "I'm certainly not going to be pleased with it, I'll tell you that," Rudny said Friday.

Waukegan is in the running for a

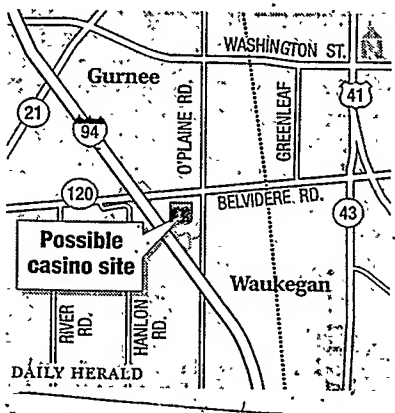
gambling license with Des Plaines, Rosemont and several South suburbs because of a settlement that ended a lengthy legal battle between the Illinois Gaming Board and Emerald Casino.

Emerald wanted to place a casino in Rosemont, but its plans were jettisoned amid accusations of mob ties

and lies to state investigators.

As part of the settlement, suburbs wanting in on the now available casino license must get proposals to the state board by late September or early October. The license then would be auctioned to the highest bidder.

Waukegan Mayor Richard Hyde said up to five sites have been identi-



fied for a casino in the city. However, he said, Route 120/O'Plaine Road and the lakefront lead the pack.

"I'm optimistic, but you know what? I'm not holding my breath," Hyde said.

Lake County developer Alan

(Indicate page, name of newspaper, city and state.)

DAILY HERALD
ARLINGTON HEIGHTS, IL.

Date: AUGUST 10, 2002
Edition:

(SATURDAY)

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See CASINO on PAGE 9

194B-CG-114999-NC-135

DAILY HERALD

AUGUST 10, 2002
(SATURDAY)

Casino: Site owned by city, developer

Continued from Page 1

Ludwig has been working with Waukegan to bring a casino to the city since 1993. He could not be reached for comment Friday.

Hyde said casinos do not bring much additional money to businesses when located in downtown districts, which is why the property at Route 120 and O'Plaine is enticing. He said there would be convenient tollway access to the property.

Some of the land in question belongs to the billionaire Pritzker family, which owns the Hyatt hotel chain and pieces of casinos in Elgin and Canada. Hyde said the city of Waukegan owns O'Plaine Road real estate next to the Pritzker land.

Lake County records show the Pritzkers own 39 acres around O'Plaine Road that are classified as farmland.

Robert P. Calkins, who has handled real-estate matters for the Pritzkers, could not be reached.

Hyde said he plans to contact all eight Waukegan aldermen on the city council to make sure they back a casino. Provided the support exists, he said, plans call for top city officials to gather Aug. 21 for a "very, very serious discussion" on a casino's feasibility.

Pointing to studies that contend a majority of casino visits occur from 9 a.m. to 7 p.m., Hyde said traffic around Route 120 and O'Plaine would not be exacerbated if a gambling emporium were built in the area.

Rudny said while he understands Waukegan views gambling as an economic shot in the arm, a referendum should be held in Lake County to gauge public support.

"If you did a referendum around the state of Illinois, I think they would say to can (the auctioning of) this license," he added.

(Mount Clipping in Space Below)

Casino proposal too close for nearby town's comfort

BY BOB SUSNJARA
Daily Herald Staff Writer

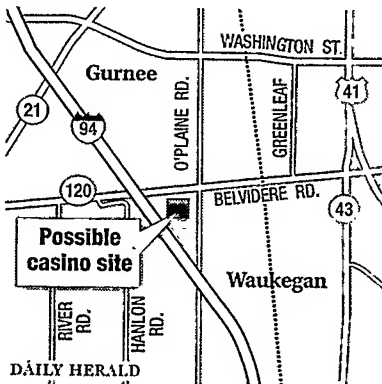
Waukegan's lakefront and farmland southwest of O'Plaine Road and Route 120 are among the sites under consideration if the city submits plans to the state seeking a casino. Gurnee Mayor Donald Rudny pre-

dicts his residents will have a negative reaction if Waukegan tries to pitch a casino for O'Plaine and Route 120 near the Tri-State Tollway because that area is at the village's south border. "I'm certainly not going to be pleased with it, I'll tell you that," Rudny said Friday.

Waukegan is in the running for a gambling license with Des Plaines, Rosemont and several South suburbs because of a settlement that ended a lengthy legal battle between the Illinois Gaming Board and Emerald Casino.

Emerald wanted to place a casino in Rosemont, but its plans were jettisoned amid accusations of mob ties

and lies to state investigators. As part of the settlement, suburbs wanting in on the now available casino license must get proposals to the state board by late September or early October. The license then would be auctioned to the highest bidder. Waukegan Mayor Richard Hyde said up to five sites have been identi-



fied for a casino in the city. However, he said, Route 120/O'Plaine Road and the lakefront lead the pack. "I'm optimistic, but you know what? I'm not holding my breath," Hyde said.

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Charity's the word in casino pitches

*Elgin example shows
community will benefit
wherever new boat docks*

BY ERIC KROL
AND KARA SPAK

Daily Herald Staff Writers

When Des Plaines, Rosemont and Waukegan leaders sit down with would-be gambling partners in the coming weeks to figure out their best pitch for the state's sole available casino license, an unlikely word will figure prominently into their discussions: charity.

Illinois Gaming Board officials last week listed charitable contributions the gambling companies will offer to make as one of the criteria they will use to decide where the casino goes.

"It's not just the highest price that's going to win the day," Gaming Board Administrator Philip Parenti said.

With gaming regulators apparently looking for a bit more than just a hefty one-time cash infusion into the state's coffers, the total package that each town and gambling outfit puts on the table could be key to landing the license.

Talks remain in the early stages for suburbs thinking about making a push for the casino, but when the planning gets serious, they'll likely look to the formula put together by Elgin and the Grand Victoria Casino a decade ago.

The Fox Valley city beat out more than 30 other towns from throughout Illinois to snag what was then the 10th and final riverboat casino gambling license. A big part of their winning bid was the agreement by Grand Victoria ownership to create its own charitable foundation to help Kane County and the state. The riverboat company also agreed to give 7.5 percent of its profits to Kane County government.

As a result, the Grand Victoria

See CHARITY on PAGE 14

194B-CG-114999-NC-136

Charity: New casino may make more than Elgin's

Continued from Page 1

Foundation has collected more than \$91 million since its inception six years ago, equivalent to 12.5 percent of the casino's yearly profits. About one-fifth of that has been distributed to state and local nonprofit groups. The environment has been a key beneficiary, with money being spent on cleaning up the Fox River and reducing ozone emissions.

The rest of the charity's money has been amassing in an endowment fund. Once the fund gets large enough, the interest from the fund would be used to pass out grants for years to come. But would-be suburban gambling meccas take note: That approach drew criticism recently from gaming board members who'd like to see more of it distributed.

Kane County government has given out at least \$3 million a year in grants to nonprofit groups during the past five years. The county also has undertaken an innovative flooding prevention program at the urging of County Board Chairman Mike McCoy of Aurora.

The amount a gambling outfit will be willing to give to charity probably shrank last month after state lawmakers and Gov. George Ryan raised the tax rate from 35 percent to 50 percent on the most successful casinos. With 50 cents of every dollar of casino revenues —

again, after paying out to winners — going to the government, it remains to be seen how much more a gambling company will be willing or able to give away.

In the Elgin example, the county and charity money doesn't even include the \$20 million or more a year the city of Elgin gets from casino taxes and the \$3-a-person state admission tax (the city gets \$1 of that per person).

While not a charity, the city has used its share of the casino cash to move police officers into run-down neighborhoods, repair aging homes, build bike trails and buy fire trucks, all of which benefit the public.

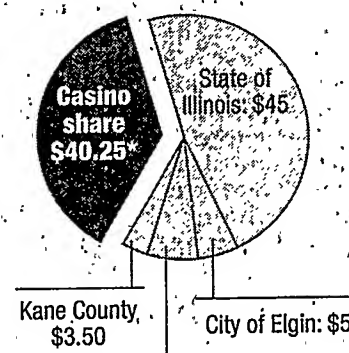
The gaming board also will look at economic impact to surrounding towns when it decides where to put the casino, so Rosemont's previous agreement to share its casino money with 71 other suburbs could be a plus for its potential bid. That coalition could be shaken, however, by Rosemont's deal with Emerald Casino falling through.

Emerald agreed Thursday to relinquish its license, which the gaming board now is putting up for auction.

Although no official studies have been done, gambling industry experts have estimated a new casino in Des Plaines or Rosemont would make even more money than Elgin's boat, given the close access

For every \$100 the casino gets, it pays out:

At the Grand Victoria



* Out of the \$40.25, the casino must pay its operating expenses. The casino is also responsible for paying out \$3 per person that walks on to the boat — \$2 for Illinois and \$1 for Elgin.

At a Las Vegas casino



* In Nevada, the state's most profitable casinos are taxed at a rate of 6.25 percent. Each of the around 300 casinos also pays a flat fee for schools and to whichever of the 17 Nevada counties it operates in.

DAILY HERALD

to travelers streaming in and out of O'Hare International Airport.

The Grand Victoria pulled in \$416.5 million after paying out winners in 2001, so experts postulate that the new casino could rake in \$500 million or more each year.

Under current law, \$225 million would go to the state and another \$25 million to the town that hosts the casino, with that town also col-

lecting \$1 for every person who enters the casino to gamble. Nearly 3.5 million people visited the Grand Victoria last year, so whichever town ends up getting the casino could get another \$4 million or so on top of that.

Whether towns will be willing to share that money, and with whom, could help determine whether the casino ends up theirs.

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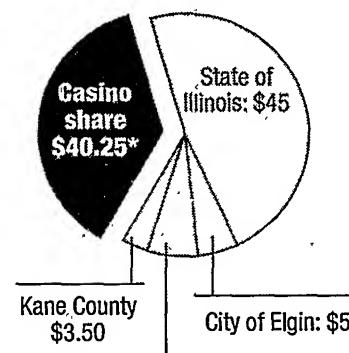
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(Indicate page, name of newspaper, city and state.)

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Gaming board shows mettle on Emerald

The Illinois Gaming Board closed the book on the Emerald casino Thursday.

Gambling officials deserve, in most regards, much credit for cleaning up the mess in about as satisfactory a manner as one could reasonably ask.

Rosemont Mayor Donald Stephens might still get his casino, but it won't be the Emerald, and it won't be headed up by Donald and Kevin Flynn. Part of the final deal is that the Flynn's, who stood accused of lying to the gaming board and including organized crime figures among the investors, cannot play any role in any Illinois gambling operation. The Flynn's proclaim their innocence. Regardless, the gaming board did itself proud by its steadfast insistence that there be no organized crime connections, however remote, to state-sanctioned casinos.

Part of the deal also calls for the Emerald's investors to recoup their original investment but to make no profit. Fair enough. Again, the gaming board merits a great deal of credit for standing firm in the face of considerable pressure to OK earlier proposals that would have let Emerald's investors walk away with windfall profits — and for what? Angry as they may be at gaming officials, Emerald's lead investors must hold themselves accountable for the mis-

Our View

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takes they made that ultimately killed their chance to open a casino.

The gaming board made the right move, too, in insisting that the license now be put up for bid. Previously, the state has let licenses go to riverboat owners for a fraction of their actual value, depriving the state of needed revenue. Under this arrangement, the remaining license will not necessarily go to the highest bidder. Other factors — bidders' economic development plans, commitment to charity and compulsive gamblers and so on — will count as well. That, too, is appropriate, assuming the winning bid is competitive in terms of the money offered.

Finally, in a move that caught some observers off guard,

the gaming board decided to put the bidding process on a fast track, with the license possibly being put up for bid by late September.

A fast track favors municipalities and investors who have been interested for awhile, who have had time to do some of the groundwork required to develop and present a bid and proposal. Relative newcomers will claim that they face an unfair disadvantage. Maybe they do.

But there's something to be said, now that Emerald is out of the picture, in moving somewhat quickly. This casino license has lain dormant for five years now, and at considerable cost to the state treasury. Although the governor and legislators managed this spring to cobble together a balanced budget, as required by law, economic uncertainty and diminished tax receipts leave the state in anemic economic health. Selling the license and opening the tax spigot on a 10th casino would bring a welcome new source of income for the state.

Throughout the Emerald saga, gaming board officials repeatedly faced pressure and difficult choices. Throughout, they maintained their independence and composure and steered events to a fitting close. That doesn't always happen in Illinois. When it does, the efforts should be applauded.

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Former mayors back bid for casino

BY AMY McLAUGHLIN

Daily Herald Staff Writer

Four former mayors of Des Plaines are throwing their support behind the effort to bring a casino to town.

Charles Bolek, John Seitz, Mike Albrecht and Ted Sherwood, who together led Des Plaines for 18 years, will hold a noon news conference today urging city officials to actively seek Illinois's 10th gaming license.

The news conference will be at city hall, 1420 Miner St.

The joint appearance of the mayors is suggested by supporters to be evidence that sentiment is mounting in favor of a proposal led by Chicago real estate developer Neil Bluhm to build a casino near River Road and Devon Avenue on the far

southeast side of town.

Another sign that action on the casino front is imminent is the decision to change next Tuesday's meeting on the casino proposal from a committee-of-the-whole to a special city council meeting.

That means aldermen could take a formal vote that night on whether to pursue the casino deal.

"We're going to be up against a deadline," said 6th Ward Alderman Tom Becker, one of the three aldermen who asked for the change.

The casino debate in Des Plaines is reaching a fever pitch just days after Illinois Gaming Board members agreed to a settlement with Emerald Casino Inc. that would allow for public bidding on the license initially earmarked for Rosemont.

Gaming board officials said they wanted put the auction process on the fast track and are giving potential casino developers until the end of September to make their pitches.

Gambling opponents are campaigning to persuade aldermen to reject the bid, focusing on negative impacts of gaming on people and towns where casinos are located. They say they will come out in force next Tuesday.

One person who doesn't believe gaming has big negatives is Sherwood, who was mayor from 1993 to 1997, when Primadonna Resorts Inc. pitched a casino for the banks of the Des Plaines River. He supported casino gambling then and now, adding it goes beyond the economics of adding to the city's bottom line and into the area of personal freedom.

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(Mount Clipping in Space Below)

18 years of city hall leadership say casino right for Des Plaines

BY AMY McLAUGHLIN

Daily Herald Staff Writer

If you know politics in Des Plaines, you know it's rare when the politicians themselves agree on something.

So that may make this next statement even more significant: The city's four surviving former mayors collectively agree that a casino in town would be a real good deal.

The former city leaders, starting with the most recent, are Ted Sherwood, D. Michael Albrecht, John E. Seitz and Charles J. Bolek.

All four signed a statement supporting a casino that was read by Albrecht in a news conference Wednesday in Des Plaines city hall. Seitz and Sherwood did not attend.

"We really believe it's in the best interests of the city to pursue this," said Albrecht, mayor from 1989 to 1993.

The former mayors took their stand before aldermen will decide at a special city council meeting Tuesday whether to enter the race for the gaming license.

The council meeting will begin at 6:30 p.m. at city hall, 1420 Miner St., and will hear comment from people on both sides of the issue.

Albrecht and the other former mayors are urging current elected officials to take advantage of the fact

that Chicago real estate developer Neil Bluhm wants to secure the state's 10th gaming license to build a gaming facility in the southeastern edge of town.

"A casino, based in our city, would be of great financial benefit to us," Albrecht said.

The city's take from a casino could fund new streets, a new fire station and create hundreds of jobs for residents of Des Plaines and surrounding towns, Albrecht said.

It's been estimated that Des Plaines city coffers could be enriched by \$20 million to \$24 million annually from having a casino in town.

The mayors have met several times to talk about the casino proposal since news broke last month that Bluhm, who is a partner in Casino Niagara in Niagara Falls, Canada, was looking to build a casino in town.

"I'm sure a lot of people locally will probably be surprised to see us agree on something," said Albrecht, a lieutenant for the Cook County Forest Preserve police. "We all still live in the city. We still have a compassion for the city."

Albrecht and other city officials said they cannot remember a time when former mayors gathered to lobby for or against a certain project.

"Probably, this is one of the biggest issues and the biggest operation the city has been involved in," Albrecht

said.

The mayors said they are not passing judgment on the morality of gambling. And, they don't stand to gain financially if a casino comes to town, Albrecht said.

As long as the state has legalized gambling and a license is available, city leaders should pursue it, Albrecht said. If the casino were located in the southeastern section of town, possibly along River Road near Devon Avenue as developers have discussed, the impact from traffic would be negligible, Albrecht said.

Bolek was mayor in 1976 and 1977, filling out the remainder of the term left open by Herbert Behrel, who moved to Arizona. Seitz was mayor from 1981 to 1989 and Sherwood was at the helm from 1993 to 1997.

(Indicate page, name of newspaper, city and state.)

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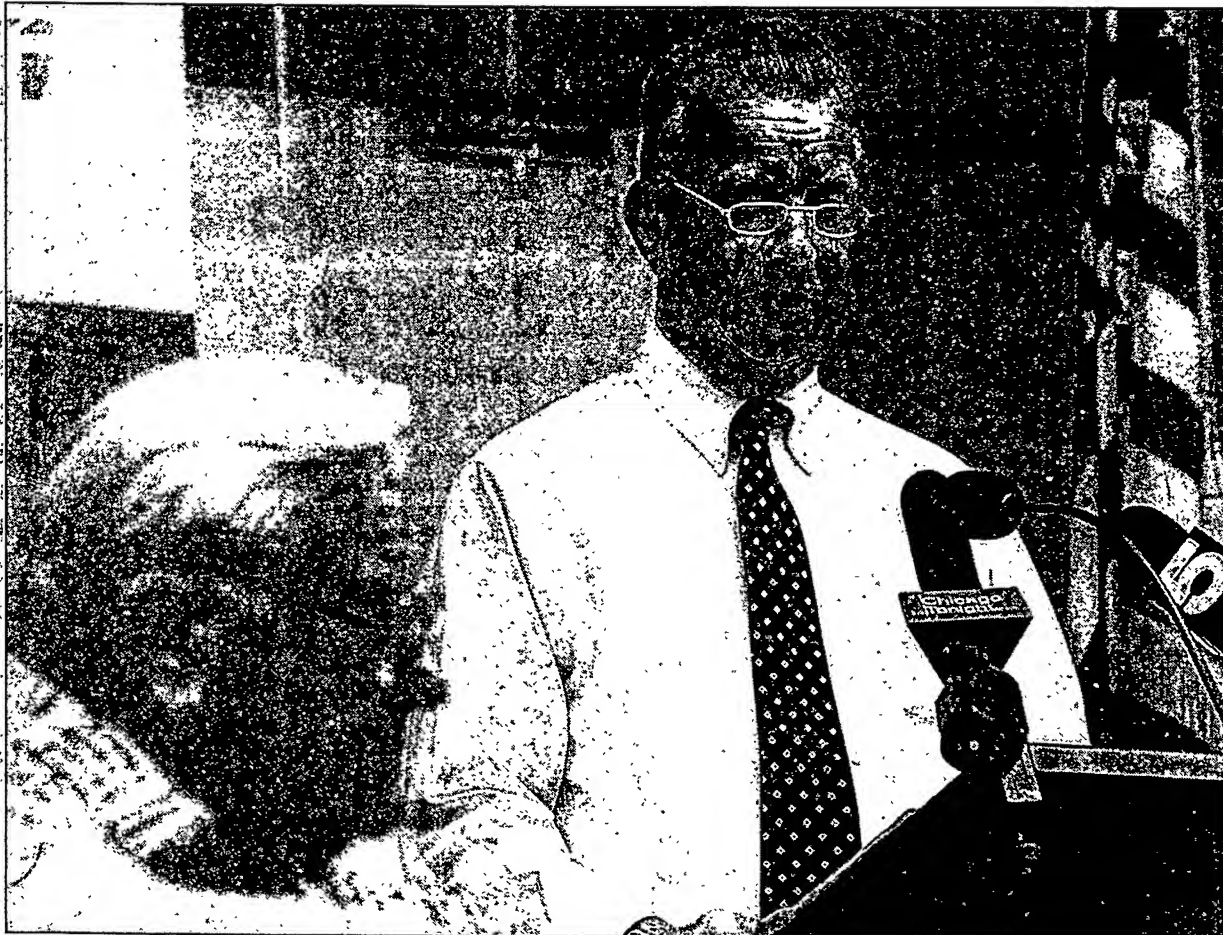
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DAILY HERALD
ARLINGTON HEIGHTS, ILL.
AUGUST 15, 2002
(THURSDAY)
Page 6 Continued

PAGE 6 SECTION 1 DAILY HERALD

Sub



JOE LEWNARD/DAILY HERALD

Former Des Plaines mayors D. Michael Albrecht, right, and Charles J. Bolek are joining former mayors Ted Sherwood and John E. Seitz in supporting a casino in Des Plaines.

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If you know politics in Des Plaines, you know it's rare when the politicians themselves agree on something.

So that may make this next statement even more significant: The city's four surviving former mayors collectively agree that a casino in town would be a real good deal.

The former city leaders, starting with the most recent, are Ted Sherwood, D. Michael Albrecht, John E. Seitz and Charles J. Bolek.

All four signed a statement supporting a casino that was read by Albrecht in a news conference Wednesday in Des Plaines city hall. Seitz and Sherwood did not attend.

"We really believe it's in the best interests of the city to pursue this," said Albrecht, mayor from 1989 to 1993.

The former mayors took their stand before aldermen will decide at a special city council meeting Tuesday whether to enter the race for the gaming license.

The council meeting will begin at 6:30 p.m. at city hall, 1420 Miner St., and will hear comment from people on both sides of the issue.

Albrecht and the other former mayors are urging current elected officials to take advantage of the fact

that Chicago real estate developer Neil Bluhm wants to secure the state's 10th gaming license to build a gaming facility in the southeastern edge of town.

"A casino, based in our city, would be of great financial benefit to us," Albrecht said.

The city's take from a casino could fund new streets, a new fire station and create hundreds of jobs for residents of Des Plaines and surrounding towns, Albrecht said.

It's been estimated that Des Plaines city coffers could be enriched by \$20 million to \$24 million annually from having a casino in town.

The mayors have met several times to talk about the casino proposal since news broke last month that Bluhm, who is a partner in Casino Niagara in Niagara Falls, Canada, was looking to build a casino in town.

"I'm sure a lot of people locally will probably be surprised to see us agree on something," said Albrecht, a lieutenant for the Cook County Forest Preserve police. "We all still live in the city. We still have a compassion for the city."

Albrecht and other city officials said they cannot remember a time when former mayors gathered to lobby for or against a certain project.

"Probably, this is one of the biggest issues and the biggest operation the city has been involved in," Albrecht

said. The mayors said they are not passing judgment on the morality of gambling. And, they don't stand to gain financially if a casino comes to town, Albrecht said. As long as the state has legalized gambling and a license is available, city leaders should pursue it, Albrecht said. If the casino were located in the southeastern section of town, possibly along River Road near Devon Avenue as developers have discussed, the impact from traffic would be negligible, Albrecht said. Bolek was mayor in 1976 and 1977, filling out the remainder of the term left open by Herbert Behrel, who moved to Arizona. Seitz was mayor from 1981 to 1989 and Sherwood was at the helm from 1993 to 1997.

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JOE LEWNARD/DAILY HERALD

Former Des Plaines mayors D. Michael Albrecht, right, and Charles J. Bolek are joining former mayors Ted Sherwood and John E. Seitz in supporting a casino in Des Plaines.

(Mount Clipping in Space Below)

Casino license bidder falls in love with Des Plaines

C2467

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Real estate tycoon says city's location makes it best bet for state's newest gaming palace

BY AMY McLAUGHLIN

Daily Herald Staff Writer

From his vantage point as a partner in a Canadian casino and one of the largest real estate development firms in Chicago, Neil Bluhm thinks the next casino in Illinois should be as close as possible to O'Hare International Airport.

Bluhm, whose JMB Realty Co. built the Chicago landmark Water Tower Place and owns the Four Seasons Hotel and the Ritz-Carlton in Chicago, happened upon Des Plaines while driving around the area earlier this summer after learning the state's 10th gaming license may

ment palaces and fancy hotels, and O'Hare, with thousands of travelers passing through and looking for something to do every day. And that's on top of its proximity to Chicago and affluent North and Northwest suburbs.

"I think it will be the nicest, most successful casino in Chicago and the state of Illinois," Bluhm said in a wide-ranging interview Wednesday. He also spoke about possible sites for a casino, revenue sharing and his background in real estate and gaming.

Maybe Bluhm came through Des Plaines by accident, but now he stands ready to invest more than \$350 million to create what he believes would be the state's most profitable casino.

All he needs is approval from Des Plaines city officials to enter the race for the last unused gaming license.

That could come as early as Tuesday, when aldermen meet to hear from residents on the casino issue. A decision is expected at the end of the 6:30 p.m. special city council meeting in Des Plaines city hall, 1420 Miner St.

Bluhm and his associates are

putting the full-court press on Des Plaines city leaders in hopes of getting a positive vote for a casino Tuesday night. He met privately with some Des Plaines officials to that end Wednesday.

If the city signs on, Bluhm said a Des Plaines casino would be in the best position to win the license because it would easily be the most profitable in comparison to a site in the South suburbs or Lake County.

"It will be far more profitable than

See CASINO on PAGE 15



Neil Bluhm

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• Four former mayors outline why they back casino in Des Plaines.

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Bluhm makes the case for Des Plaines by noting that the city is next to both Rosemont, with its entertain-

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Casino: Three sites in area are under review

Continued from Page 1

any of the competing sites other than Rosemont," Bluhm said. "Most of the facilities surrounding Chicago are way to the west or southwest and you have a lot of facilities in Indiana."

If Des Plaines officials agree, Bluhm said he stands ready to build and operate a casino, but he hasn't ruled out bringing in other partners.

Bluhm, the 320th richest American in 2001 who is worth an estimated \$800 million, according to Forbes magazine, said he's already created a company, Midwest Gaming and Entertainment LLC to oversee and manage the potential Des Plaines

casino.

He said he's able to develop and build this project on his own but he's also had "numerous inquiries" from other casino operators, including some from Las Vegas. He declined to elaborate on the casino operators, but said no agreements have been signed.

One of Bluhm's many companies is Highland Gaming Inc., one of five stakeholders in the Casino Niagara in Niagara Falls, Canada. Operating in a temporary location now, that casino's permanent home will be a \$800 million complex with a Hyatt hotel, theatre, entertainment center and retail shops, among other things.

The Niagara casino itself will be nearly 200,000 square feet and have 3,000 slot machines and 150 gaming tables.

A casino in Des Plaines won't be nearly that large since the state limits size to only 1,200 gaming positions. Bluhm said he expects the Des Plaines facility to be only about 40,000 square feet. It will also have restaurants and maybe a hotel, Bluhm said.

As for possible locations, Bluhm is looking seriously at the former Xerox building along River Road just north of Devon Avenue and two other sites. Bluhm and his associates are also considering land near Mannheim and Higgins roads across the street

from Rosemont and an undisclosed location.

Bluhm expects to make an initial investment of \$350 million in the project, but that doesn't include money that would go to the state for the license.

Estimates for Des Plaines' take from the casino of \$20 million to \$25 million are accurate based on Elgin's profit from Grand Victoria, Bluhm said.

The topic of revenue sharing has yet to be broached by Des Plaines leaders, but Bluhm said he would recommend they do so. The ultimate decision about any sharing of the profits will be left up to Des Plaines officials, he said.

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Serena, Venus in finals

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Big Picture  Northwest Focus

Daily Herald

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The soapbox

Our editors
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C2467

Emerald bankruptcy ruling keeps Rosemont in game

BY SHAMUS TOOMEY

Daily Herald Staff Writer

A federal judge's ruling Friday that Emerald Casino Inc. is bankrupt and might require court oversight to pay its debts sent a cloud of uncertainty over the state's much-heralded plan to take off the company's gaming license and possibly move it out of Rosemont.

Judge Eugene R. Wedoff's ruling was a victory for Rosemont, which is

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Gaming board chairman who led rejection of Emerald license is out

desperately trying to keep the casino license within its borders and sued Emerald to do so. But whether the judge's ruling will actually prevent the state from moving the license to another community—possibly Des

Plaines—remains unclear.

What is clear is that as of Tuesday, when the bankruptcy order is officially entered, Wedoff has authority over how Emerald manages both its debts and license.

That authority could mean Wedoff will override Emerald's current plan to pay off its debts. That plan, in the form of a legal settlement with the Illinois Gaming Board, calls for Emerald to let the state sell its license to a bidder of the state's choosing.

The cash from the sale—expected to be in the hundreds of millions of dollars—would be used to pay back the original investments of Emerald's owners, pay off the casino's myriad debts and give a lump sum payment to the state.

Wedoff could also decide not to override the settlement, but to simply oversee its implementation to make sure the rights of Emerald's creditors are maintained. In addition, Wedoff could also decide to

abstain completely from the case and let the gaming board and Emerald handle the settlement, lawyers on the case said.

What route the judge will take could become more clear later this month when the dust from Friday's ruling settles and more legal rulings come down. Until then, Rosemont's casino hopes are still alive.

"It's great to hear," Rosemont Mayor Donald E. Stephens said when told of the bankruptcy decla-

ration. "But I really don't know what to think of it at this time."

The ruling adds yet another wrinkle to an already badly rumpled saga that Rosemont, Emerald and the gaming board are vigorously trying to straighten out. It also adds another layer of legal scrutiny to an issue that has already cost Emerald more than \$2 million in legal fees.

Friday's action was initiated by

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Emerald foe taken off gaming board

BY SHAMUS TOOMEY
Daily Herald Staff Writer

The former prosecutor who, as Illinois Gaming Board chairman, oversaw the rejection of Emerald Casino's planned move into Rosemont was dumped from the board by Gov. George Ryan Friday.

The outgoing governor's decision not to reappoint Gregory Jones sparked outrage from a top gambling opponent — and optimism from Rosemont Mayor Donald E. Stephens, who has accused Jones of harboring a nearly two-decade old bias against him.

Jones was the No. 2 man in the U.S. attorney's office in Chicago when Stephens was twice acquitted of fraud charges in the 1980s. Stephens, as well as Emerald's attorneys, have openly accused Jones of getting payback by blocking Stephens' long-coveted casino from opening in Rosemont.

"I just think it's probably a good thing for the state," Stephens said of Jones' departure. "The former chairman has cost the state about a billion dollars (in tax revenue)... I certainly think there would be a better chance



Gregory Jones

Jones' three-year-term on the board expired earlier this year, but he has said he hoped to be re-appointed to oversee the bidding process.

But Ryan, in a statement, said he was sticking with his policy of not granting second terms in hopes of "bringing new ideas" to the board.

Jones, through a spokesman, said he was grateful for the chance to lead the board, and was proud of his efforts to maintain the integrity of gaming in Illinois. It was Jones who presided over a board that many expected would rubber-stamp Emerald's move into Rosemont, but instead investigated the company and turned it down.

The Rev. Tom Grey said Ryan did Illinois a disservice.

"By removing Jones, he's probably

of a settlement now."

Jones has long denied any bias towards Stephens, and has said Rosemont has as good a chance as any town of winning a bidding war for Emerald's license.

taken the one person the public could have some modicum of confidence in," Grey said. "He knew what the issues were and was for an open and fair process."

The five-member board's new chairman will be Elzie Higginbottom, an ally of Chicago Mayor Richard M. Daley. Higginbottom, who joined the board last year, praised Jones' leadership and said he was surprised when Ryan called him Thursday with the promotion.

In April, Higginbottom said he didn't "see anything wrong with Rosemont" as a casino host. Friday he said he has no preferences for the next casino site because no bids have come in. He also said the governor gave no advice. "I can say unequivocally that there was no direction from the governor's office on how the board should be run," he said.

Replacing Jones on the board is Gary Peterlin, a former Republican state's attorney of LaSalle County. He, too, said Ryan dished out no demands, and said he has no preference on where to put the Emerald license. "I'm not going there with any agenda, motives or preconceived ideas," he said.

Casino: Emerald could appeal ruling

Continued from Page 1

attorneys for Rosemont and four companies that say Emerald owes them money. Each of the four companies had a hand in the partial construction of the casino and parking garage in Rosemont — both of which now sit unused as the legal battles continue.

Emerald and Rosemont started to build the casino complex in 1999 under the assumption the gaming board would approve the casino's relocation from East Dubuque.

But the gaming board, under the direction of Chairman Gregory Jones, who was dumped off the board by Gov. George Ryan Friday, blocked the relocation last year and moved to strip Emerald of its license. The board alleged Emerald owners Donald Flynn and his son, Kevin, had lied to investigators and let two mob-connected people buy shares.

Rather than lose its license and have nothing but debts to show for it, Emerald agreed this summer to let the state sell the license in a bidding war — a process that could move the casino out of Rosemont.

Rosemont wants to stop the bidding, in part, because Emerald still owes the village \$45 million for the parking garage. Rosemont sued in bankruptcy court, hoping that Emerald would be declared bankrupt and, as part of a liquidation or reorgani-

zation, the gaming license would be sold to a company that would open a casino in Rosemont.

Wedoff heard arguments from all sides of the bankruptcy dispute on Wednesday and issued his ruling Friday afternoon. In his decision, the judge said Emerald clearly owes two construction engineers on the project more than \$50,000 and its general contractor \$1.5 million.

Wedoff could not decisively say that Emerald owed Rosemont the \$45 million for the garage, but did say "it is completely possible" that Rosemont will win a separate court battle to recoup that money.

Rosemont attorney David Goroff said the village's goal was to force Emerald into bankruptcy in order to challenge the casino's settlement with the state, and Wedoff's ruling now allows for that challenge.

Emerald still has several decisions to make, including whether it will appeal Wedoff's ruling, whether it will ask the judge to simply let the settlement go forward and whether it will ask the judge to put Emerald into Chapter 11 bankruptcy protection, which would allow the company to submit its own plan to pay off its debts.

"We're going to evaluate the decision of Judge Wedoff, and we will make decisions appropriate to the best interests of the company," Emerald attorney Michael Ficaro said.

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EDITORIALS

George Ryan's war on the GOP

No, it wasn't enough for him to trash the Republican nominee for governor last week—one more in the long series of George Ryan misadventures that have devastated the Illinois GOP. By the weekend the governor managed to squeeze in yet another cheesy maneuver, this one damaging not just to the party he has disgraced, but to all the people of Illinois. As his term mercifully ends, it's as if a man already being hounded from office over his blind eye for ethics is determined to prove the old maxim that nothing is as dangerous as a lame duck.

The beauty of it all, from the governor's standpoint, is that many people won't realize the significance of his latest stunt: refusing to reappoint former federal prosecutor Gregory Jones to the Illinois Gaming Board. Jones isn't a well-known figure—except at places like the U.S. attorney's office in Chicago, where he remains so respected that a coveted award recognizing professional integrity is named in his honor.

So as the Illinois GOP desperately tries in an election year to live down the Ryan-inspired notion that it tolerates corruption, the governor bounces one of this state's most vigilant guardians of the public's trust. Other than offering to personally redecorate the Statehouse for Rod Blagojevich and the rest of the state Democratic ticket, the governor couldn't have given voters a sweeter reminder that on his watch, the pols and pals are always more important than the people.

In Jones, citizens had a protector. He chaired a divided Gaming Board that Ryan tried to pack with members who would grease the skids for casino interests. But under Jones the board refused to bow low for the politically connected (and in some cases the allegedly mob-influenced) Emerald Casino investors who tried to ram a gaming operation into suburban Rosemont.

Most of the Gaming Board's discussions occurred behind closed doors. But judging by the scathing denunciation of Jones by an Emerald attorney at a May hearing to weigh allegations of serious misconduct by Emerald officials, it's clear Jones helped block several terrible deals

that would have enriched all those Emerald investors at the expense of Illinois taxpayers.

Nixing the lousy casino deals made Rosemont Mayor Donald Stephens, the gaming industry and some legislators very mad. But by refusing to buckle, the Gaming Board has correctly tried to steer hundreds of millions of dollars away from the Emerald investors and into the state's treasury. If, that is, the board doesn't now back-track and give the clout-rich Emerald crowd one of those favors for which George Ryan's administration is notorious.

Did the governor thank Jones for refusing to cheat the public out of all those millions by holding out for the best possible deal? Not exactly. Instead—after he was lobbied by a lawyer for Emerald—Ryan dispatched two of his top aides, Robert Newton and Steve Schnorf, to lecture members of the supposedly independent Gaming Board. The governor's message: He'd sure like to have the revenues from the state's cut of a quickie Emerald deal. Emphasis on quickie.

Jones' term expired July 1. The governor's flimsy excuse for not reappointing him is the same one he conjured up last year when he failed to reappoint two other high-integrity board members: that he doesn't reappoint anyone to a second term on the Gaming Board. Never mind that those two had served only partial terms—as has Tobias Barry, a top-notch board member who now is being reappointed. Go figure. Of course if the governor's inconsistent policy were the real reason for dumping Jones, who had told the governor he was willing to serve again, Ryan wouldn't have bothered waiting 67 days to do so.

And so, with the casino industry flexing its muscle at every turn, and with the Emerald case still hanging fire, the integrity of Illinois gaming falls to a board that now will be headed by Elzie Higginbottom. He's close to Chicago Mayor Richard Daley—and makes no secret of his acquaintance with several Emerald investors.

If there is a bright spot here, it's that in only 126 days, George Ryan will be just as gone as Greg Jones.

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Rosemont feels shut out on casino

State denies town
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from license talks

By Michael Higgins
Tribune staff reporter

Casino companies that are eagerly courting towns such as Des Plaines and Calumet City are not talking to Rosemont, and on Wednesday Mayor Donald Stephens blamed that on the Illinois Gaming Board.

The board has not publicly excluded Rosemont as a site for the state's remaining gambling license. But when asked whether he thought board officials had let it be known that a Rosemont casino proposal isn't going to win, Stephens said, "You got it."

Stephens said developer Neil Bluhm visited him a few months ago to discuss bringing a casino to Rosemont. Then, Stephens said, Bluhm talked to board officials and made his pitch to Des Plaines instead.

"Here we have a garage built," Stephens said, talking after a meeting of the Rosemont Village Board.

"We have a casino half-built in the ground. And nobody's talking to us. I wonder why? ... Isn't that amazing?"

Gaming Board Administrator Phil Parenti reiterated Wednesday that Rosemont was "neither in nor out" of the bidding process to obtain the 10th license. "We didn't put any word out" to discourage companies from teaming up with Rosemont, he said.

Bluhm was unavailable for comment.

Rosemont has argued in Cook County Circuit Court that the Gaming Board lacks the authority to auction off a license held by Emerald Casino Inc., which was blocked by the board from opening in Rosemont amid allegations that its officials lied to state investigators and sold shares to investors with mob ties.

In a related development, board Chairman Gregory Jones said at a meeting Wednesday that casino companies with existing properties in the Chicago area could bid for the license.

Also Wednesday, officials of Argosy Gaming Co. announced plans for a \$40 million upgrade at the Empress Casino in Joliet.

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Stephens said developer Neil Bluhm visited him a few months ago to discuss bringing a casino to Rosemont. Then, Stephens said, Bluhm talked to board officials and made his pitch to Des Plaines instead.

"Here we have a garage built," Stephens said, talking after a meeting of the Rosemont Village Board.

"We have a casino half-built in the ground. And nobody's talking to us. I wonder why? ... Isn't that amazing?"

Gaming Board Administrator Phil Parenti reiterated Wednesday that Rosemont was "neither in nor out" of the bidding process to obtain the 10th license. "We didn't put any word out" to discourage companies from teaming up with Rosemont, he said. Bluhm was unavailable for comment.

Rosemont has argued in Cook County Circuit Court that the Gaming Board lacks the authority to auction off a license held by Emerald Casino Inc., which was blocked by the board from opening in Rosemont amid allegations that its officials lied to state investigators and sold shares to investors with mob ties.

In a related development, board Chairman Gregory Jones said at a meeting Wednesday that casino companies with existing properties in the Chicago area could bid for the license.

Also Wednesday, officials of Argosy Gaming Co. announced plans for a \$40 million upgrade at the Empress Casino in Joliet.

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Northwest suburbs

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Fraud charges are leveled against casino figure, others

BY SHAMUS TOOMEY
Daily Herald Staff Writer

Federal prosecutors added new charges and a new co-defendant to a fraud case against one of the Emerald Casino shareholders accused by state gaming regulators of having ties to organized crime.

The presence of a financial trust linked to Nick S. Boscarino, 50, on a list of proposed Emerald shareholders was cited by the regulators as

proof that Emerald's plan to open in Rosemont was marred by the "insidious" taint of organized crime.

Thursday's charges in a pending federal fraud case against Boscarino and another man does not involve Emerald, but the case does have links to Rosemont.

Prosecutors accuse Boscarino and Ralph Aulenta, 61, of rigging a scheme to divert village of Rosemont insurance premiums for their personal use. The scam defrauded an

insurance company where Aulenta worked out of \$289,000, which the two turned into \$460,000 through investments, prosecutors said.

On Thursday, a grand jury returned new charges against Boscarino, of Overbrook Road in Barrington, and Aulenta, of Turkey Trail Drive in Inverness. Both now are accused of failing to pay a combined \$500,000 in taxes due on income that prosecutors say they made in the scheme.

Also indicted on tax fraud charges

was Boscarino's accountant, Irving B. Mangurten, 51, of Silver Rock Road in Buffalo Grove.

The indictment accuses Mangurten of knowingly preparing false tax returns for both Boscarino and a restaurant once owned by Boscarino. That restaurant, Ribs, was located in the same building as Rosemont's village hall.

Boscarino and Aulenta already have pleaded not guilty to the earlier fraud charges. All three men are

scheduled to be arraigned on the new charges Wednesday. Attorneys for Boscarino and Aulenta could not be reached for comment. Mangurten's attorney, Mike Monico, said he was saddened to see that charges were brought.

"We intend to fight the charges vigorously, and we expect to prevail," Monico said.

Boscarino is a former pal and business associate of Rosemont Mayor Donald E. Stephens.

Boscarino has denied any ties to organized crime, and Stephens has defended him.

But when Stephens got wind of the fraud case being built against Boscarino last December, he distanced himself. The mayor said the FBI had shown him enough evidence to convince him that Boscarino was stealing Rosemont's insurance money. "Today, I walk away from Nick Boscarino," Stephens said last December.

(Mount Clipping in Space Below)

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Rosemont would bid for casino

*Stephens now says
he'll join auction
if judge requires it*

By CHRIS FUSCO
STAFF REPORTER

Once opposed to his village taking part in an auction to be home to the state's 10th casino, Rosemont Mayor Donald E. Stephens is changing his mind; he now says his northwest suburb will join the bidding if a federal judge requires an auction.

"We're not going to walk away," Stephens said Tuesday. "It's up to the bankruptcy court."

Stephens' decision could greatly change how casino companies deal with communities hoping to land the license. Rosemont already has built a \$45 million parking garage for the casino, and an unfinished gambling barge nearby could be finished in six months, he said.

"Why would the new owners want to walk away from \$70 [million] to \$80 million and put the thing in Calumet City or Summit?" Stephens said.

Besides those suburbs, Des Plaines and Waukegan are inter-

ested in the 10th state casino license, now held by Emerald Casino. Chicago also is exploring a casino, though Mayor Daley wants a new license for it.

A settlement agreement Emerald struck with the Illinois Gaming Board calls for competitive bidding on the 10th license, with Emerald to name a sales agent to oversee the process. The deal also calls for the state to reap proceeds from the sale after Emerald reimburses stockholders' original investments and pays other debts.

Rosemont, Stephens said, still contends the settlement oversteps state law. The Gaming Board disagrees and hopes Emerald will

submit a bankruptcy reorganization plan to Judge Eugene Wedoff that mimics the settlement.

If that's the case, Stephens said, he will go along with what the judge orders. At the very least, he wants to be reimbursed for the parking garage and other potential revenues Rosemont could have gotten through its development agreement with Emerald.

The Gaming Board, citing wrongdoing by Emerald, rejected the project early last year.

The next court date in the bankruptcy case is Oct. 31. Even if Emerald's license goes out for bid, state law calls for the Gaming Board to approve the winning bidder and host community.

FBI/DOJ

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